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UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

Attorneys for Debtors-in-Possession Netcentives, Inc.,
Post Communications, Inc., and Maxmiles, Inc.

**UNITED STATES BANKRUPTCY COURT**

**NORTHERN DISTRICT OF CALIFORNIA, DIVISION 3**

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| In re<br><br>NETCENTIVES, INC.,<br><br>Debtor. | Case No. 01-32597 -SFM-11 (LEAD CASE)<br><br>Chapter 11 |
| In re<br><br>POST COMMUNICATIONS, INC.,<br><br>Debtor. | Case No. 01-32620-SFM-11<br><br>Chapter 11 |
| In re<br><br>MAXMILES, Inc.,<br><br>Debtor. | Case No. 01-32621-SFM-11<br><br>Chapter 11<br><br>(Cases Jointly Administered) |

**DEBTORS' DISCLOSURE STATEMENT**
**(May 7, 2002)**

**I. INTRODUCTION**

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA AS CONTAINING ADEQUATE INFORMATION FOR SOLICITATION OF

ACCEPTANCES OF DEBTORS' PLAN OF REORGANIZATION (May 7, 2002). DISTRIBUTION OF THIS DISCLOSURE STATEMENT TO CREDITORS IS AUTHORIZED BY ORDER OF THE UNITED STATES BANKRUPTCY COURT DATED MAY 7, 2002.

***The factual representations contained in this Disclosure Statement are made by the Debtors. Court approval of this Disclosure Statement does not constitute the Bankruptcy Court's verification of the accuracy of those factual representations.***

## I. INTRODUCTION.

A. The Purpose Of A Disclosure Statement:

Debtors and debtors in possession Netcentives, Inc., Post Communications, Inc., and Maxmiles, Inc. (collectively, the "Debtors") prepared this Debtors' Disclosure Statement (May 2, 2002) ("Disclosure Statement"). It is distributed to creditors to solicit acceptances of the Debtors' Plan of Reorganization (May 7, 2002) (the "Plan"). The Plan is served with this Disclosure Statement. This Disclosure Statement's purpose is to provide all persons who hold claims against the Debtors with information adequate to enable them to make informed judgments about the Plan in voting to accept or reject it.

B. Definitions. The definitions set forth in the Plan are utilized in this Disclosure Statement. Please refer to the Plan for the definition of capitalized terms.

C. Plan Summary.

Administrative Claims will be paid on the Effective Date unless otherwise agreed by a particular claimant or claimants.

Priority Tax Claims will be paid on the Effective Date.

Priority Employee Wage and Consumer Deposit Claims will be paid on the

Effective Date.

General Unsecured Creditors shall on July 15, 2002, and the first day of every calendar quarter thereafter, receive payment of all available Cash after the payment of the claims described above, hold backs for Disputed Claims and employee bonuses, and actual and projected operating expenses and professional fees.

The Debtors' Equity Security Holders shall retain their stock in the Debtors.

D. How to Vote.

A vote for acceptance or rejection of the Plan must be cast by completing and signing the ballot which accompanies the Plan and mailing it to Binder & Malter, 2775 Park Avenue, Santa Clara, California, 95050. The ballot should be marked to the attention of Robert G. Harris, Esq. in an envelope marked "Netcentives, Inc. Ballot" in the lower left hand corner. Only the Ballot should be mailed. For your vote to be counted, your completed ballot must be received no later than June 13, 2002, by 5:00 p.m., Pacific Daylight Savings Time. Upon Confirmation by the Bankruptcy Court, the Plan will be binding on all creditors and shareholders, regardless of whether an individual claimant has voted in favor of or rejected the Plan.

E. Necessary Vote To Confirm Plan.

In order to confirm the Plan, two thirds in dollar amount and a majority of the number of Allowed Claims actually voted in each impaired class of creditors, must vote in favor of the Plan. The majority for each class is determined by the number and amount of those who actually vote and are entitled to vote under Federal Rule of Bankruptcy Procedure 3018.

F. Enclosures.

Enclosed with this Disclosure Statement is a copy of the Plan, a ballot if you are entitled to vote, and the Bankruptcy Court's order approving this Disclosure Statement.

## II. THE DEBTORS' PRE-PETITION OPERATIONS AND HISTORY.

### A. Netcentives' Formation and Acquisitions.

San Francisco-based Netcentives Inc. was a leading provider of loyalty and direct marketing solutions. The company delivered a broad suite of programs for relationship marketing technologies and services to enable its Global 2000 client base to drive customer, employee and partner behavior and maximize the long-term economic value of these relationships. These programs included consumer, employee and business loyalty solutions; customized email marketing; and consulting services.

From organization in 1996 until March 1998, Netcentives' operations consisted primarily of various start-up activities, such as research and development, personnel recruiting, capital raising and trial sales of our products with initial customers. Netcentives launched the merchant-based ClickRewards solution in March 1998 and began recognizing revenue from non-trial program sales in April 1998. Netcentives launched its first Enterprise Incentive program in January 1999 and its first Custom Loyalty program in July 1999. In the year ended December 31, 2000, Netcentives derived most of its revenue from its merchant-based ClickRewards programs, Enterprise/Corporate Incentives programs, and the Direct Marketing Solutions.

Since its inception, Netcentives grew both organically and through acquisitions. Netcentives acquired Panttaja Consulting Group, Inc. in December 1998 in order to gain full time access to the expertise of some of its employees, and to provide technical consulting services to Netcentives' clients.[1] In January 2000, Netcentives acquired MaxMiles, Inc., a provider of personal aggregation technologies.[2] In March 2000, Netcentives acquired UVN Holdings, Inc. (UVN), whose technologies enabled Netcentives to transparently track and verify credit card purchasing, and to award reward points across multiple companies and multiple channels, whether it be through store, catalog or online.[3] Finally, in April 2000,

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1 On December 18, 1998, Netcentives acquired all of the outstanding shares and assumed the outstanding options of Panttaja Consulting Group, Inc. ("Panttaja"), a software consulting firm, in exchange for 808,780 shares of common stock valued at $2,548,000, cash of $194,000 and options to purchase 455,648 shares of Netcentives stock at $0.254 per share, of which 306,755 were vested at the date of the acquisition and have been included as part of the acquisition price at their fair value of $936,000. The common stock includes 200,000 shares subject to vesting over a four-year period, which has initially been recorded as deferred stock compensation and will be expensed over the vesting period. Netcentives agreed to pay the stockholders up to an additional $450,000 each within 13 months following closing, based on meeting certain employment retention milestones, which was considered probable at the time of the acquisition and was accrued as part of the purchase price of Panttaja. Remaining amounts owed at December 31, 1999 were paid in January 2000.

The acquisition was accounted for as a purchase and, accordingly, the results of operations of Panttaja since the date of acquisition have been included in Netcentives consolidated financial statements. The total consideration exceeded the fair value of the net assets acquired by $3,526,000, which represents the value of the existing consulting relationships and is being amortized on a straight-line basis over two years. For the year ended December 31, 2000, Netcentives recorded $1,622,000 for amortization of these intangibles, which are amortized over their useful lives of two years.

2 On January 31, 2000, Netcentives completed the acquisition of all outstanding capital stock of MaxMiles in exchange for the issuance of 153,058 shares of Netcentives common stock valued at approximately $10,200,000 and options to purchase 21,922 shares of Netcentives' stock at prices ranging from $.03 to $10.44 per share, of which 17,388 were vested at the date of the acquisition and have been included as part of the acquisition price at their fair value of approximately $1,100,000. The remaining 4,534 unvested options have been recorded as deferred stock expense in the amount of $254,000 and will be amortized over the remaining three year vesting period.

The acquisition was accounted for as a purchase and, accordingly, the results of operations of MaxMiles since the date of acquisition have been included in Netcentives' consolidated financial statements. For the year ended December 31, 2000, the Company recorded $3,530,000 for amortization of the purchased intangibles, which are amortized over their useful lives of two to four years.

3 On March 3, 2000, the Company completed the acquisition of all outstanding capital stock of UVN Holdings, Inc., SHC Venture, LLC, and the outstanding minority interest in UVN's majority owned subsidiary Universal Value Network, LLC (collectively referred to as "UVN"). The total purchase price included the issuance of 335,532 shares of Netcentives' common stock valued at approximately $16,300,000, cash payments totaling approximately $4,900,000 (including approximately $2,100,000 of transaction costs), and 36,000 shares of Netcentives' common stock

valued at approximately $1,700,000 to extinguish certain debt of UVN. The acquisition also gave Netcentives a 49% equity ownership in Golden Retriever Systems, LLC (GRS), which maintained connectivity to information on approximately 90% of U.S. sources of payment card transactions including data from payment card processors, merchant acquiring banks and merchants. Vital Processing Services, LLC had the right to require that Netcentives purchase all of their 51% equity interest in Golden Retriever Systems, LLC for $10.0 million.

The acquisition was accounted for as a purchase and, accordingly, the results of operations of UVN since the date of acquisition have been included in Netcentives' consolidated financial statements. For the year ended December 31, 2000, the Company recorded $4,275,000 for amortization of the purchased intangibles, which are amortized over their useful lives of five years.

Netcentives acquired Post Communications, Inc. to deliver a platform for email direct marketing.[4]

B. Description Of Debtors' Businesses:

1. Custom Loyalty Programs. Custom Loyalty programs were large-scale, private labeled networks rewards programs allowing enterprises, portals and financial institutions to offer their own branded currency. Currency was rewarded to support the desired member online or offline activity, such as: spending on payment cards, enrollment, trial usage or site clicks. Members redeemed currency through a customized online catalog. Netcentives provided services and technology needed to build, implement, support and maintain the program including program design, web hosting, operations, and program administration.

2. Enterprise Incentive Programs. Enterprise Incentive programs helped corporations drive the performance of employees and channel partners. Netcentives provided corporate human resources departments and sales managers with a powerful, efficient and paperless means of tracking and awarding desired corporate behaviors, which may include referring new employees or meeting sales quotas.

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4 On April 7, 2000, Netcentives completed the acquisition of all outstanding capital stock of Post Communications, Inc. in exchange for the issuance of 6,282,289 shares of Netcentives common stock valued at $308,790,000 and options to purchase 316,908 shares of Netcentives' stock at prices ranging from $.36 to $16.76 per share. Of these shares 23,481 were unvested at the date of acquisition and have been recorded as deferred stock expense in the amount of $2,237,000 and will be amortized over the remaining three year vesting period. There were 293,427 options vested at the date of acquisition and have been included as part of the acquisition price at their fair value of approximately $13,600,000.

This acquisition was accounted for as a purchase, and accordingly, the results of operations of Post since the date of acquisition have been included in the Company's consolidated financial statements. For the year ended December 31, 2000, the Company recorded $59,306,000 for amortization of the purchased intangibles, which are amortized over their useful lives of four years.

3. Merchant-based ClickRewards Program. ClickRewards was a network developed on behalf of a few scores of online merchants that enabled them to reward their consumers with ClickMiles, Netcentives' recognizable, branded awards currency for making purchases at their websites or offline.

4. Registered Card Program. Through the acquisition of UVN Holdings, Inc., Netcentives offered offline transaction-processing technology enabling businesses to recognize and reward purchase behavior both online and offline in permission-based programs through the registration of the consumer's shopping card. This acquisition gave Netcentives a 49% equity ownership in Golden Retriever Systems, LLC (GRS), which provided information on approximately 90 percent of U.S. sources of payment card transactions.

5. Aggregation Technology. Through the acquisition of MaxMiles, Inc., Netcentives delivered personal information aggregation technology that, with the consumer's permission, collected and consolidated frequent flier account information and other data, allowing websites to publish personalized content that increases the frequency and length of consumer visits. Netcentives' direct marketing business acquired through Post Communications, Inc., uses customized, targeted email to help its customers increase response rates and maximize the value of their membership base.

6. Consulting Services. Netcentives Consulting provided professional services that complemented Netcentives programs and hosted operations to deliver loyalty solutions to customers. These services included strategy, design and launch services to enable customers to move quickly from business concepts to successful programs and solutions.

7. Technology Platform and Software Products. To support its various

solutions, Netcentives built a technology platforms and software applications for the management of online loyalty and direct marketing applications under the following: <u>SecureReward Architecture</u>™, <u>RewardBroker</u>™, <u>Payment System</u>, <u>PostDirect</u>™, <u>MaxMiles</u>™, and <u>Netcentives Registered Card System</u>.

C. <u>Pre-Petition Concentration Of Revenues</u>.

In 2000, Nortel Networks accounted for approximately 25% of total revenues. In 1999, no customers accounted for more than 10% of revenues. In 1998, Yahoo and Visa each accounted individually for 46% and 13% of total revenues.

D. <u>Real Property Leases</u>.

On the date that the Bankruptcy Cases were filed, the Debtors had approximately 124,500 square feet under lease in San Francisco, California to expire between 2001 and 2007. The Debtors leased approximately 10,200 square feet in New York which was to expire in 2007; 3,300 square feet in Fort Lauderdale, Florida to expire in September, 2001; 2,500 square feet in Tempe, Arizona and approximately 4,000 square feet in Healdsburg, California the latter two of which were under month to month leases.

E. <u>Carlson Law Suit</u>. In February, March and July 2000, Netcentives filed suit in the Federal District Court in the Northern District of California against eleven parties seeking monetary damages and injunctive relief based on each party's alleged infringement of certain patents held by Netcentives. This litigation is pending although two of the defendants have subsequently licensed the patents and have been dismissed from the suit. A default was entered against another defendant.

In July 2000, one of the defendants, Carlson Companies, Inc.'s subsidiaries and affiliates ("Carlson"), filed a claim against Netcentives in the Federal District Court in the District of Minnesota seeking a declaratory judgment alleging (a) that Carlson is the owner of the patents at issue based on the inventor's earlier employment at Carlson, (b) that Netcentives' patents are invalid and unenforceable and (c) that Carlson is not infringing Netcentives' patents. In December 2000, the Minnesota action was transferred to the Northern District of California and is pending before the same judge that is presiding over the infringement actions brought by Netcentives.

F. <u>Net Operating Losses</u>. Netcentives recorded losses since its inception. It lost $14.1 million in 1998, $46.8 million in 1999, and $184.2 million in 2000. The year 2000 increases in net loss were primarily due to an increase in revenues of $35.0 million offset by an increase in operating costs and expenses of $136.8 million and a realized loss on marketable securities of $37.6 million between the years ended December 31, 2000 and December 31, 1999, and an increase of $41.3 million in operating costs and expenses between the years ended December 31, 1999 and December 31, 1998. Losses accelerated in the year 2001. The Last Form 10-Q filed by Netcentives reflected a net loss of $325,921,000 for the six months ending June 30, 2001. Unaudited net GAAP loss for the nine months ending Sep 30, 2001 is $340,504,000, with the slowing of losses reflecting the efforts by management to staunch the outflow of money. These losses include large 2001 write-offs of intangible assets related to acquisitions, which are non-cash charges.

G. <u>Events Leading To Chapter 11</u>.

Netcentives experienced rapid growth during 2000 at the height of the internet boom, eventually achieving annual revenue of $41,000,000. While not yet profitable, this represented revenue growth of over 400%. Netcentives exited 2000 with very high expectations based upon its recent top line performance with an expense plan mirroring the top line growth of the prior year.

With the downturn in the economy setting in during the first quarter of 2000, many of Netcentives' key clients began cutting back on program expenditures. Most significantly Nortel Networks which then represented 25% of Netcentives' 2001 revenue, in February, 2001 began significant unanticipated cutbacks in its program, going against its prior assurances that it would continue operating at projected levels for the year. Nortel Networks disputes this assertion and claims to have complied with all purchase obligations under its program agreement with Netcentives while that agreement was in effect.

In January, 2001, a near complete turnover of Netcentives' officers was completed with the hiring of new President Eric Larsen. Mr. Larsen interviewed and hired a completely new management team at this point. The company also retained the services of Mr. Gene Meken in May as Chief Financial Officer to execute management's strategy of having more stringent cost management policies and more reliable financial forecasting.

Management planned and administered in April, 2001 its first restructuring with the intent of bringing its cost structure in line with the reality of the marketplace in which it was operating. During that same period, management attempted to shore up the company's lagging sales numbers by recruiting some top flight sales management with proven track records to develop the organizations first true professional sales team.

In the period from May through July, 2001, management formed an investment syndicate to fund an interim round of financing. With the rebuilding sales effort in its infancy as well as continued uncertainty in the macroeconomic environment, the lead investor pulled out of the syndicate in early August, 2001.

With the loss of incremental equity funding, management further reduced Netcentives' rate of net loss by planning and implementing the second reduction in force, taking the employee headcount to approximately 165 individuals from 505 at the beginning of the year.

Also during the months of August and September, 2001, the Board of Directors worked through the options for the company and, in late September, made the determination to file under chapter 11. At that same time, the Board authorized the retention of the firm of Binder & Malter, LLP to represent the Debtors in bankruptcy.

H. Pre-Petition Asset Sales. During the month of August, management completed the sale of Netcentives' interest in Golden Retriever Systems ("GRS") netting $2,000,000 after paying off all of GRS's secured debt.

In September, 2001, management completed a licensing arrangement with Yahoo which yielded an incremental $2,250,000. Both of theses actions created capital that allowed the Debtors to continue to operate with the hope of selling all businesses as going concerns in Chapter 11.

I. Final Decision To File Chapter 11.

Having carefully reviewed the cost implications of hiring a liquidator or "work out" firm, the executive management team proposed an alternative plan to the normal wind down process so prevalent amongst "dot com" companies. The Board of Directors concurred that a management driven operational liquidation could yield a higher return to creditors and, potentially, shareholders.

In order to secure the Board's approval, management committed to stay on board through the projected auction, asset sales, and administration of the Bankruptcy Cases.

## III. CHAPTER 11 EVENTS.

A. Filing and Joint Administration. Netcentives, Inc. filed its Chapter 11 case on October 5, 2001. The Chapter 11 filings for MaxMiles, Inc. and Post Communications, Inc. both occurred on October 11, 2001.

October 9, 2001, Netcentives filed an application for the joint administration of all three cases. On October 15, 2001, the Bankruptcy Court approved the joint administration of the three Bankruptcy Cases, meaning that anything filed in any one case would be deemed filed in all three.

B. First Day Motions. There were certain motions which had to be brought within a few days after the filing of the Bankruptcy Cases. These included procedural motions to (i) limit notice generally in the cases; (ii) permit the Debtors to serve certain notices on its Click-Rewards members by email, (iii) to permit the Debtors to file certain documents on CD-Rom media rather than on paper; (iv) to permit the filing of certain documents under seal, (v) to modify the requirements for the filing of the Bankruptcy Court's creditor matrix, (vi) to permit the Debtors to serve notice of the commencement of the case, of the first meeting of creditors, and the deadline for filing Proofs of Claims upon all creditors and parties in interest pursuant to a notice specifically tailored to address concerns with respect to the Bankruptcy Cases, and (vii) to set a procedure for providing adequate protection to utilities that wished to receive deposits without the risk of a service cut-off.

C. Committee Formation and Professionals' Appointments.

1. Committee and Counsel.

On October 12, 2001, the United States Trustee filed notice of appointment of the Creditors' Committee. That Committee consisted of Jon Paulsen of the Paulsen

Family Limited Partnership, Jennifer Clark of All Star Consulting, Inc, and Bob Janusevkis of ICC Corporation. On October 19, 2001, the United States Trustee added Siegelgale, Inc. to the Creditors' Committee. Subsequently, ICC Corporation sold its claim and resigned from the Creditors' Committee.

On October 24, 2001, the Committee filed an application to have Wendel, Rosen, Dean & Black appointed as its counsel. This application was amended on November 7, 2001, to disclose a second, previously unknown connection between Wendel, Rosen and the case, which created a potential conflict that the Debtors waived. The order approving Committee counsel was entered on November 8, 2001.

2. <u>Corporate Responsible Individual</u>.

On October 5, 2001, the Debtors applied to have Eric Larsen designated as the Debtors' responsible corporate individual. Mr. Larsen was designated the Debtors' responsible corporate individual by an order of the Bankruptcy Court dated October 22, 2001.

3. <u>General and Special Counsel and Accountants</u>.

On November 16, 2001, Binder & Malter, LLP applied for *nunc pro tunc* approval of its employment as the Debtors' general reorganization counsel. On November 30, 2001, the Bankruptcy Court issued an order appointing Binder & Malter, LLP *nunc pro tunc*, or retroactively back to the date that the Bankruptcy Cases had been filed.

On October 9, 2001, the Debtors moved for the appointment of General Counsel Associates as its corporate and securities counsel. This appointment was approved by an order of the Bankruptcy Court dated October 22, 2001.

On November 9, 2001, the Debtors applied to have Wiley, Rein & Fielding appointed as special patent litigation counsel to deal with the District Court Carlson litigation and objections based on patent law before the Bankruptcy Court. An amended application was filed on November 16, 2001, to permit clarification of the law firm's contact with the estates and their creditors. An order approving counsel's employment was entered on November 21, 2001.

On November 9, 2001, the Debtors applied to have the accounting firm of Deloitte & Touche , LLP appointed as their accountants. An amended application was filed on December 7, 2001, to provide additional disclosure. An order approving Deloitte & Touche's employment as the Debtors' accountant was entered on December 11, 2001.

On November 16, 2001, the Debtors applied to have Townsend, Townsend & Crew appointed as their special patent application counsel. This appointment was approved by an order of the Bankruptcy Court dated December 3, 2001.

D. Critical Motions Filed On Shortened Time.

Shortly after the Bankruptcy Cases were filed, the Debtors filed four motions with substantive import to the operation of the Debtors' businesses or the administration of the Bankruptcy Cases themselves. These filings were (1) a motion to allow the continued redemption of Click Rewards points, (2) motions to reject all real property leases but the headquarters location, (3) a motion to establish auction and overbid procedures, (4) a motion to implement an employee incentive retention and bonus program.

1. Click Rewards Motion. By their Motion to Allow Continued Redemption of Click Rewards Points and Other Similar Rewards Programs, the Debtors sought permission to continue to operate the Netcentives "Click Rewards" and other custom loyalty networks and programs. Specifically, permission was sought to redeem

points earned by customers prior to the commencement of the Bankruptcy Cases within the discretion of the Debtors' management.

At the first hearing on October 15, 2001, the Bankruptcy Court granted permission for the Debtors' to continue redeeming points earned by the Debtors' online customers in the ordinary course of business, through October 22, 2001, up to a total of $200,000.

At the second interim hearing on October 22, 2001, the Bankruptcy Court granted permission for the Debtors to continue redeeming points earned by the Debtors' online customers in the ordinary course of business, through October 23, 2001, for a further $31,678.83.

At the continued second interim hearing on October 23, 2001, the Bankruptcy Court granted permission for the Debtors to continue redeeming points earned by the Debtors' online customers in the ordinary course of business, through October 29, 2001, for a further $129,000. The Bankruptcy Court also determined that further hearings were unnecessary and that agreed orders could be submitted.

By its third interim order on the Click Rewards Motion on November 6, 2001, the Bankruptcy Court authorized the redemption of pre-petition points earned by the Debtors' online customers in the ordinary course of business, through November 5, 2001 for a further $350,000.

By its fourth and last interim order on the Click Rewards Motion on November 9, 2001, the Bankruptcy Court authorized the Debtors to redeem points through November 12, 2001, with a value of a further $150,000.

The Debtors ceased honoring redemptions requests on November 12, 2001. The Debtors terminated their Click Rewards and all other loyalty membership programs on November 30, 2001, as well as the personnel that ran those programs.

2. Motions To Reject All Real Property Leases. On October 15, 2001, the Debtors filed their Motion To Reject Certain Leases and Subleases. By that motion, the Debtors sought to reject the leases of 4820 South Mill Avenue, Suite 102, Tempe, AZ 85282; 800 Cypress Creek Blvd., Suite 110, Ft. Lauderdale, FL33309; 248 West 35th Street, 10th Floor, New York, NY; 4141 Blue Lake Circle, Suite 217, Dallas, TX; 1550 Bryant Street, Suite 600, San Francisco, CA; 435 Brannan Street, 1st Floor and Suite 207, San Francisco, CA; 670 - 5th Street, San Francisco, CA; and 690 - 5th Street San Francisco, CA. The requested rejections were approved by an order of the Bankruptcy Court dated October 19, 2001, and made effective as the petition dates of the Bankruptcy Cases.

On October 19, 2002, the Debtors filed a motion to reject the lease of one more real property lease: suite number 54 on the 14th Floor of 1180 Avenue of the Americas, New York, NY. After notice and opportunity for hearing, and there having been no objection, the Bankruptcy Court issued an order for the rejection of this lease dated November 5, 2001.

3. Motion to Establish Auction and Overbid Procedures. On October 11, 2001, the Debtors filed their Motion for Order Establishing Auction, Notice and Overbid Procedures for Sale of Assets and Motion to Assume and Assign Leases and Executory Contracts. By this Motion, the Debtors sought to have the Bankruptcy Court approve (a) auction and overbid procedures for the sale of certain assets of Post Communications, Inc. beyond the existing bid of Plum Acquisition Corporation, and (b) auction procedures to permit the sale of all of substantially all of the assets of Netcentives, Inc., Maxmiles, Inc., and any remaining assets from Post Communications,

Inc. This motion was opposed by creditor Radisson Hotel Corporation/Carlson Marketing Group ("Carlson") on the ground that no sale could occur if the Debtors did not own the rights to the patents underlying the business to customer applications of the patents underlying the loyalty marketing programs application. After a hearing, on October 26, 2001, the Bankruptcy Court overruled Carlson's objection and issued its order approving the sale and auction procedures proposed in the Debtors' sale motion.

4. Employee Incentive Retention and Bonus Program Motion. On October 11, 2001, the Debtors filed their Motion for Order Authorizing Debtor to Implement Employee Incentive Retention Program. After receiving certain comments from the bench and the United States Trustee at an initial teleconference, the Debtors revised their proposal and filed an Amended Motion for Order Authorizing Debtor to Implement Employee Incentive Retention Program on October 18, 2001. Lighthouse Capital Partners filed a limited objection to this motion to ensure that its claimed cash collateral would not be used to pay employees without its consent or a court order for the use of cash collateral. The initial hearing was continued from October 26, 2001, to October 29, 2001. After reaching agreement with the Committee, a substantially revised form of employee retention and of incentive bonus was approved by the Bankruptcy Court at the continued hearing.

The Bankruptcy Court's November 9, 2001 Order Granting Amended Motion for Order Authorizing Debtor to Implement Employee Incentive Retention Program provides as follows:

> 1. The Debtor is authorized to pay a cash bonus to its controller, Cheryl Lee, its in house counsel, Judy Player, and to its accounting manager, Al Suzuki. The cash bonus shall be in the total amount of $60,000 and divided among the aforementioned three recipients as follows: $25,000,

$25,000, and $10,000, respectively.

2. The Debtor is authorized to pay the 14 employees of the EMG Group identified in Exhibit "A" hereto 10% of any net cash proceeds from the sale of the assets of Post Communications, Inc. ("Post"), after the payment of all creditors of Post, up to a maximum of $100,000. These proceeds may be distributed to the listed employees in the amounts set forth in Exhibit "A." Solely for purposes of calculating the amount of this bonus, the creditor claims of Post shall include the claims of Exodus Communications, Inc.

3. The Debtor is authorized to transmit $350,000 to its reorganization counsel for the creation of a trust account for an employee retention bonus for key employees in the Debtor's LMG Group. The employees will be paid the amounts set forth in Exhibit "B" attached hereto pursuant to the terms of this order. The employees listed in Exhibit "B" are to have a post-petition lien on the amounts indicated without need of any other act to perfect such lien. The following conditions also apply:

> (a) The LMG employees will be in the Debtor's employ as of December 15, 2001, or such earlier date as determined by the Debtor that the employee's services are not needed;
>
> (b) The total from this trust account paid to the Debtor's Chief Executive Officer, Eric Larsen, and its Chief Financial Officer, Gene Meken, shall not exceed $100,000.
>
> (c) 30% of each eligible employee's share of this account shall be paid to eligible employees on November 16, 2001;
>
> (d) The remaining 70% of each eligible employee's share of this account shall be paid to eligible employees on the closing date of sale of substantially all of the Debtor's assets, or December 15, 2001, whichever is earlier.
>
> (e) Any employee that terminates his or her services early or elects not to participate in the distribution will forfeit his or her right to any proceeds. That forfeited portion will be

redistributed as proceeds of sale in the bankruptcy estate.

4. The LMG Group employees identified in Exhibit "B" by the Debtor's management and who satisfy the conditions of paragraph 3 above are entitled to receive a share from a success bonus pool equal to 15% of every cash dollar over 50% the unsecured creditors receive, including assumed obligations, in the *pro rata* portion set forth in the last column of Exhibit "B" hereto. A partial payment of this amount may be made as an interim distribution, before or after confirmation of a plan of reorganization in these bankruptcy cases, with the consent of the Official Unsecured Creditors' Committee.

5. Any employee who wishes to participate in either bonus program must waive all claims which he or she has against the Debtor's bankruptcy estate in writing prior to receiving any distribution.

6. Any employee may elect not to participate in a bonus program and, instead, pursue his or her claims against the Debtor as a claimant. However, the portion of the bonus pool described in paragraphs 3 and 4 above shall not, in such event, be redistributed to other employees. Rather, it shall be distributed as a cash recovery in the Debtor's bankruptcy case and administered in accordance with any future plan of reorganization confirmed.

The Debtors have paid all retention bonuses to employees who have thus far elected to take them. Four employees, Eric Larsen, Gene Meken, George Loyer, and Jim Panttaja, have not yet elected whether to take the retention bonus or to waive their claims.

D. Asset Sales and Auctions.

On October 26, 2001, the Debtors filed their Motion to Sell Assets and to Assume and Assign Certain Executory Contracts. By that Motion, the Debtors sought Bankruptcy Court permission to (a) sell substantially all of the assets of Post Communications, Inc., other than avoidance actions and cash, to Plum

Acquisitions Corporation ("Plum"), subject to overbid; (b) assume and assign to the highest bidder certain executory contracts, including the contract between Exodus Communications, Inc. and Netcentives; (c) conduct an auction of all of the Debtors' assets and business sub-groups according to the procedure previously approved by order of the Bankruptcy Court; (d) pay secured creditor Lighthouse Capital Partners in full on its allowed secured claim from the proceeds of sale of Post and, (e) obtain a finding that the sales to Plum and/or to any other buyer requesting such a finding is in good faith pursuant to 11 U.S.C. section 363(m).

As was required by the order approving bidding procedures, the Debtors noticed the sale to all creditors and potential bidders, placed an advertisement in the Wall Street Journal. Ultimately, approximately twenty different bids were received, some after the deadline set forth in the bidding procedures order. In the weeks after the notice was served and the ad was placed, the Debtors engaged in intensive due diligence with some twenty potential buyers. The Debtors filed a list of the highest bids received on November 15, 2001.

A large number of limited and outright objections were filed to the proposed sale, including filings by Finova Capital Corporation, Lighthouse Capital Partners, CLNKK, Carlson, Phoenix Leasing, YesMail, Inc., Cool Savings, Inc., and Exodus Communications, Inc. Through negotiations and clarification, the Debtors were able to resolve all but a few of the objections.

1. <u>Primary Auction</u>.

The first auction hearing took place on November 15, 2001. The unresolved objections were overruled. The Bankruptcy Court approved various asset sales "as is" and "where is", without representations or warranties by the Debtors of any kind, subject to any claims or liens against the particular assets sold, all to close no later than December 7, 2001. The sales approved at this first auction hearing were as follows:

a. The sale of the business of MaxMiles, Inc., including all of its intellectual property, accounts receivable (except for inter-company accounts receivable), trademarks and hardware was approved to high bidder Princeton Entrepreneurial Group, L.L.C. ("Princeton"), and its nominee MaxMiles for Frequent Flyers, Inc., a Delaware Corporation, was approved for $210,000.00.

b. The sale of Netcentives' patents numbers 5,774,870, and 6,009,412, patent applications EP 96944791 and CA240424, as well as all of Netcentives' other patents, patent applications and patent-related rights and assets, as further set forth in the bid of Trilegiant Corporation was approved for $2,000,000.00.

c. The sale of the Debtors' LMG hard assets (including all furniture, the Nortel phone system and IT equipment) to North Bay Networks was approved for $535,000.00.

d. The sale of the Debtors' Remaining Assets to CD Micro was approved for $212,000.00.

e. The sale of Netcentives' stock in wholly-owned subsidiary UVN Holdings, Inc. (aka Momentum), which sale included all assets of UVN Holdings, Inc., as well as the assumption of all liabilities of said subsidiary corporation by the purchaser, to Princeton or its nominee, Travel Savant, Inc., was approved for $300,000.00.

f. The sale of the Debtors' LMG assets, as described in the Business

Asset Catalog, but excluding the fixed assets of LMG, and the ownership or license of the patents described in paragraph above, was approved to Charles River Consulting, Inc. for $120,000.

2. Continued Asset Auction.

The Bankruptcy Court continued the auction as to the sale of Post Communications, Inc. to November 30, 2002 because Plum withdrew its offer from consideration, and no other acceptable offer was presented for approval on November 15, 2002. On November 30th, after substantial negotiation with two potential bidders, the Debtors asked the Bankruptcy Court to approve the sale of all of substantially all the assets of Post Communications, Inc. to YesMail, Inc. for $1,970,000 on the terms set forth in its Asset Purchase Agreement, subject to the payment of various debts and the cure of various executory contracts. There were no overbids, and the sale was approved by an order of the Bankruptcy Court dated December 5, 2001.

The proceeds of the sale to YesMail have been utilized as follows: $360,640.57 was paid to the Debtors in cash as the first installment of the purchase price. $360,640.57 has been held as a reserve against warranty breaches and claims by YesMail against the Debtors. This amount was due to be released to the Debtors on March 7, 2002. YesMail timely notified the Debtor that it has claims against the funds withheld totaling $96,000 consisting of (1) $24,000 for 9 lap top and 3 desk top computers that it claims were never delivered, (2) $12,000 for a telephone system that it did not recover from the Debtors but which remains available, and (3) $60,000 for a receivable which 3Com Corporation has resisted paying because 3Com claims that Netcentives did not perform certain loyalty marketing functions. The Debtors contend that all monies are due and owing. 3Com Corporation has been barred by order of the

Bankruptcy Court from asserting any claim for cure of defaults under its assumed contract. It cannot, as a matter of law, assert the offset of a Netcentives, Inc. debt against a Post Communications, Inc. asset. The Debtors' contend that 3Com Corporation is intentionally violating the automatic stay and will seek actual damages from it. The Debtors seek the immediate release of the remaining $260,643.57 held on account of 3Com's actions. YesMail has recently located three of the missing laptops. Resolution of the balance of the $96,000 hold back has not yet been achieved.

$300,000 was transferred to Exodus Communications, Inc. as the agreed first installment of the cure of defaults under its contract with the Debtors. A further $200,000 was placed in a segregated account by agreement with Exodus Communications, Inc. and subsequently released to Exodus as part of a compromise subject to approval of the Bankruptcy Court through the Plan.

A payment of $281,568 was paid to Lighthouse Capital Partners II as a cure of all defaults under its lease to the Debtors. Finally, a payment of $367,150.86 was made to Lighthouse Capital Partners II as a payment in full of the secured claim of said creditor against Post Communications, Inc.

3. <u>Private License Auction</u>.

The successful bid for all of Netcentives' intellectual property by Trilegiant Corporation included the right for Netcentives to issue five non-exclusive royalty free licenses of the intellectual property necessary to operate a custom loyalty network. The right to issue the licenses was time-limited insofar as the Debtors had to receive payment for the licenses not later than 5:00 p.m. on November 26, 2001. The Bankruptcy Court authorized the Debtors to negotiate the sale of these sub-licenses from Trilegiant outside of Bankruptcy Court. The Debtors elected to sell one of the licenses for Milespree, Inc. for $240,000, which purchase was confirmed by an order of the Bankruptcy Court dated November 20, 2001. The Debtors then elected to retain one license and transfer it to Carlson in order to permit a settlement of all claims between the Debtors' Carlson and Trilegiant. The remaining licenses were brought on for sale at a private auction conducted at the Debtors' headquarters on November 20, 2001. No acceptable offers were made at the auction. Accordingly, the Debtors sold the three remaining licenses for the highest offer, that of Trilegiant Corporation, for a total of $159,000 just prior to the deadline for receiving funds.

4. <u>Contention Of Buyer As To Right To A Sixth License</u>.

The successful bidder for the Debtors' "soft" LMG assets, Charles River Consulting, Inc., asserts that a sixth royalty-free, non-exclusive license was granted by Trilegiant Corporation to the acquirer of all or substantially all of the "Online Rewards Program" business (as that term is defined in Trilegiant's Patent License Agreement, attached as Annex C to its purchase agreement with Netcentives), and that accordingly, a "Sale Event" has occurred. The Debtors have not provided a notice of Sale Event to this buyer as it is unclear as to whether a "Sale Event" has actually taken place. If and when CRC, Inc. submits a list of executory contracts to the Debtors to assume and assign, such a determination may be possible, although the rejection of all remaining contracts through the Plan at Confirmation presents a final deadline by which CRC, Inc. can seek to have the Debtors move to assume and assign contracts. All parties have reserved their rights as to this issue.

5. <u>Clarification Of Dispute Over Collections With Princeton Entrepreneurial</u>.

After its purchase of UVN Holdings, Princeton Entrepreneurial asserted that it was entitled to all accounts receivable collected from UVN by the Debtors since the date that the Bankruptcy Cases were filed. The Debtors disagreed and believed themselves to be entitled to all such collections. The dispute was resolved by submitting an amended sale order which clarified that the proceeds from the collection of accounts receivable of UVN Holdings, Inc. would be split between Netcentives and Princeton or its nominee, Travel Savant, Inc., as follows: all proceeds from the collection of accounts receivable through and including November 15, 2001, shall remain with Netcentives, Inc. All proceeds from the collection of accounts receivable after November 15, 2001, shall be paid to Princeton or its nominee, Travel Savant, Inc. The parties believed that the amount of post-November 15, 2001 proceeds equaled or exceeded $119,000. Princeton or its nominee, Travel Savant, Inc., shall receive the greater of $119,000 or such other amount as may have actually been collected after November 15, 2001 from the accounts receivable of UVN Holdings, Inc. Princeton or its nominee, Travel Savant, Inc., shall have the right to conduct an accounting to ascertain this number. The Debtors and their subsidiaries have received a complete release of all claims from Princeton, its nominee, Travel Savant, Inc., and UVN Holdings, Inc.

6. Purchase of Collateral Of Finova Capital Corporation and Comdisco, Inc.

The Debtors determined that it was economically feasible to purchase the collateral of certain leasing companies and allow it to remain in lots of assets purchased at auction. Accordingly, the Debtors agreed to pay Finova Capital Corporation the sum of $117,500 from the proceeds of sale of assets to North Bay Networks and CD Micro to purchase all Finova lease collateral. This sum has been paid.

The Debtors made a similar determination as to the lease collateral of

Comdisco, Inc. The Debtors believe that Comdisco's lease collateral is not worth more than $83,000 and negotiated a compromise with Comdisco for that collateral and all post-petition rent (asserted to be more than $112,000 alone ) for a payment of $113,000 in total. These compromises are addressed in greater detail below.

7. Remaining Asset Sale Motion.

On February 4, 2002, the Debtors filed their Motion for Order Authorizing (1) Auction Sale of Remaining Inventory, Equipment & Miscellaneous Personal Property, (2) Sale of Gift Certificates, and (3) Employment and Payment of Auctioneer. By this motion, the Debtors sought authority to (a) conduct an auction sale of the remainder of the Debtors' equipment, inventory and miscellaneous personal property, (b) sell $11,890.00 worth of the Debtors' supply of miscellaneous gift certificates to Giftcertificates.com for 60 cents on the dollar (i.e., $7,134.00), subject to overbid; (c) at the Debtors' discretion, to sell the remainder of the Debtors' supply of miscellaneous gift certificates, having a cumulative face-value of approximately $29,000.00, to the highest bidder or bidders subsequently procured by the Debtors, for a price not less than 25% of the face value of the particular gift certificate (i.e., 25 cents on the dollar); and (d) employ AbleAuctions.com [Washington], Inc. as the Debtors' auctioneer ("Auctioneer") to sell at auction the Debtors' remaining equipment, inventory and miscellaneous personal property and to pay the Auctioneer 30% of the net proceeds from the auction sale, after reimbursing the auctioneer for its out of pocket costs. This final sale motion was approved by an order of the Bankruptcy Court dated March 1, 2002. The gift certificate auction generated interest by purchasers in percentages up to 80% of the face value of many of the gift certificates.

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E. Equipment Lessor Relief From Stay.

On October 15, 2001, lessor Phoenix Leasing moved for relief from the automatic stay on shortened time for permission to sell the lease collateral which had been returned to it prior to the filing of the Bankruptcy Cases. Relief was granted without opposition by an order from the Bankruptcy Court dated October 22, 2001.

F. Lease Termination Agreement with SKS Brannan Associates

The only real property lease not rejected at the outset of the Bankruptcy Cases concerned the Debtors' headquarters on Brannan Street in San Francisco, California. Landlord SKS Brannan Associates ("SKS Brannan") held a considerable security deposit in the form of a letter of credit issued by Silicon Valley Bank. SKS Brannan was willing to enter into a Lease Termination Agreement with the Debtors, provided SKS Brannan retained the entire letter of credit and was allowed to retain certain items of office furniture, valued by the Debtors on a liquidation basis at approximately $40,000.

Negotiations between the Debtors and SKS Brannan continued to arrive at the principal terms of the lease termination agreement. Settlement pleadings were prepared. The Debtors also desired to provide relief from stay to Silicon Valley Bank ("SVB") as part of the settlement, so that SVB could then easily setoff a certificate of deposit that it held as collateral for the letter of credit. The motion therefore included such additional relief.

After the motion was served, the Debtors learned of a press release reflecting that SKS Brannan had located a replacement tenant. The Committee was concerned about the effect of such mitigation of damages on the claim which SKS Brannan might otherwise be entitled to assert in the cases. The Committee was also concerned that

SVB should only be granted relief from stay to the extent any fees incurred as a result of drawing down the letter of credit were borne against the certificate of deposit collateral and that no other assets of the Debtors (including other bank accounts at SVB) should be setoff. The Committee therefore filed an objection. SVB contended that it should be entitled to setoff its letter of credit fees and its attorneys' fees from any and all deposit accounts, and it too filed an objection to the proposed compromise.

The filing of the objection jeopardized the Debtors' ability to remain in the subject premises until the end of December 2001 when the asset sales had been consummated and the Debtors had moved to a smaller, month-to-month executive office suite. Absent approval of the lease termination agreement, the lease with SKS Brannan would be deemed rejected 61 days after Netcentives had filed its bankruptcy case. As a result, it was necessary to bring a precautionary motion to extend the time to assume or reject the Lease with SKS Brannan through December 31, 2001; it was filed it on December 4, 2001.

Also after the objections were filed, SKS Brannan was contacted to request evidence of mitigation. This evidence consisting of the new lease with the replacement tenant was thoroughly analyzed, and the results of such analysis were communicated to counsel for the Committee. As a result, the Committee was prepared to withdraw its objection to the compromise, but negotiations were still continuing with SVB. Ultimately, the Committee and SVB agreed that SVB and the Debtors' estates would retain all of their rights with respect to that dispute and notwithstanding would permit the lease termination agreement to be approved by the Bankruptcy Court. A stipulated order was presented at the time of the hearing and executed on December 21, 2001, and the precautionary motion to extend time to assume or reject was withdrawn as moot.

G. Motions to Assume and Assign Leases and Contracts

In connection with the asset sales approved by the Bankruptcy Court on November 15, 2001, numerous leases, licenses and contracts needed to be assumed by the Debtors and assigned to the successful bidders. The Debtors' accounting personnel prepared detailed spreadsheets identifying all such executory contracts and patent licenses, including stating their pre- and post-petition cure amounts if any. Each of the successful bidders from the November 15th hearing were contacted to obtain adequate assurance information to provide to the affected third parties to the executory contracts. Pursuant to a verbal request made at the November 15th hearing, the Bankruptcy Court shortened time to serve a notice and motion and to allow a hearing to be held on December 5, 2001. Notice and the motion were required to be served by November 21st. These documents had to be revised following the second hearing held on November 20, 2001 so as to include those contracts to be assumed and assigned to Yesmail as part of the sale of assets of Post/EMG.

Prior to the December 5, 2001 hearing, objections from several parties to the executory contracts to be assumed and assigned were filed. These included Exodus and Lighthouse, who, at the time, were still negotiating resolutions to their cure amounts. These objections were resolved by the time of the hearing. America Online, Inc. and Expedia, Inc., parties to license agreements, contended that their consent was required prior to assignment, however the Bankruptcy Court overruled the objections once the Debtors satisfied the requirements of Section 365 of the Bankruptcy Code. The motion was approved on December 5, 2001 and the order entered that day so that the three largest asset sales approved by the Bankruptcy Court could close that day and the following next.

Prior to the December 5th hearing, Yesmail brought to the Debtors' attention three additional contracts that had not been included in the motion to assume and assign due to the press of time. So as not to delay the close of escrow on the sale of the Post/EMG assets, Yesmail agreed that a second motion could be brought by the Debtors to approve the assumption and assignment of those remaining contracts. A second motion, notice and opportunity for hearing, memorandum of points and authorities and supporting declaration was filed on December 27, 2001. The time for objection passed, and an order granting the motion by default was entered on February 25, 2002.

H. <u>AMEX/Beenz Compromise Motion</u>.

On December 10, 2001, the Debtors filed and served their Notice of Motion and Motion to Approve Compromise of Controversy Regarding American Express Travel Related Services, Inc. and Beenz.com, Inc.

Netcentives and American Express had executed a License Agreement under which the Debtors provided a certain Internet based loyalty program manager service on behalf of American Express (the "Service" or "Rewards Manager"). American Express claimed that the License Agreement terminated as of June 2001. The Debtors claimed that the License Agreement is to terminate as of June 2002. The parties agreed to wind down the Service and executed releases (which preserved the Debtors' claim against American Express for accounts receivable owing of some $900,000) in exchange for the Debtors performing certain wind-down services and American Express paying $50,000.

On May 21, 2001, Netcentives and Beenz entered into a Patent License

Agreement (the "Contract"), pursuant to which Netcentives agreed to license to Beenz the right to operate the Beenz Online Rewards Programs in the Licensed Territory as defined in the Contract. Under the Contract, the Netcentives was to receive $37,500 for the fourth quarter of 2000, $37,500 for the first quarter of 2001, and a discounted payment capped at $15,000 for the second quarter of 2001 with the understanding that the Beenz Online Rewards Programs would be discontinued on or before June 30, 2001.

Although no new customers were acquired by Beenz following June 30, 2001, the Beenz Online Rewards Programs were discontinued on August 26, 2001. On July 1, 2001, the Debtors submitted an invoice to Beenz to for the second and third quarters of 2001 relating to the operation of the Beenz Online Rewards Programs during such time periods (the "Invoice Claim"). The parties have entered into a Termination Agreement and Release pursuant to which Beenz will supplement the discounted payment provided for in the Contract with an additional payment of $30,000 and, in consideration for this payment, the parties have agreed to terminate the Contract.

On January 8, 2002, the Debtors filed a request for entry of this order by default. The compromise was approved by an order of the Bankruptcy Court dated January 14, 2002.

The Debtors will continue to pursue all rights against American Express for payment for services rendered in the approximate amount of $350,000. A complaint has been prepared but not filed. Settlement discussions are ongoing.

I. <u>Nortel Networks Motion For Relief From Stay</u>.

On December 10, 2001, Nortel Networks filed a motion for relief from the automatic stay to terminate its Master Services Agreement with Netcentives, Inc. This relief was granted after a hearing that took place before Bankruptcy Judge Thomas Carlson on January 4, 2002.

J. Applications For Compensation.

On January 18, 2002, the following professionals filed and served notice of their applications for compensation and reimbursement of expenses, which were heard and approved on February 8, 2002:

| Professional: | Fees Approved: | Costs Requested: |
|---|---|---|
| Binder & Malter, LLP | $342,530.00 | $23,895.85 |
| Wiley, Rein & Fielding, LLP | $ 7,269.52 | $ 1,167.48 |
| General Counsel Associates, LLP | $ 31,898.00 | $ 1,402.64 |
| Townsend, Townsend & Crew | $ 11,815.50 | $ 2,775.40 |
| Wendel, Rosen, Black & Dean. LLP | $ 60,442.50 | $ 1,035.70 |

K. Motion To Reject Click Rewards Member Agreements.

As was set forth above, for the first two months of its case, the Debtors maintained service to the Click Rewards programs, primarily to maximize the programs' potential sale value as a going concern. When the Debtors sold the hard and soft assets in its loyalty network business, the party that had expressed an interest in buying the Click Rewards Programs as a going concern, did not agree to accept the potential responsibility to point holders associated with assumption.

On March 12, 2002, the Debtors filed a motion to reject all membership agreements with Click Rewards program participants and purchasers of points. The Bankruptcy Court approved a form of notice and motion for the rejection of the Debtors' contracts with the Click Rewards point-holders and purchasers and ordered that the motion and related pleadings may be served via electronic mail.

The members of rejected Click Rewards contracts must file claims not later than 30 days from the date the Debtors serve a notice of the order for rejection. It is currently the Debtors' position that it has no obligation to pay such claims exists under the Bankruptcy Code. The on-line agreement that governs the relationship between the Click Rewards members and the Debtors places no monetary value on points; nor does it allow a member to exchange points for cash. Once points are redeemed, the Agreement expressly provides that under no circumstances will the Debtors refund the redeemed reward for cash. It is the Debtors' position that, because there is no basis for the participants of the Click Reward Program Agreements to claim money damages for the Debtors' failure to perform, and the participants have no allowable claims arising from the proposed rejection of the contracts under Bankruptcy Code section 102(5). Any claims filed by point holders will be the subject of an omnibus claim objection by the Debtors.

Three objections were filed by individuals. The Debtors will submit an order by default as to all remaining point holders and set a hearing as to the objections of the three responding parties.

L. <u>Settlement Of Carlson Law Suit</u>.

The Debtors achieved a three-way settlement between themselves, Carlson and Trilegiant Corporation under which all Carlson claims against the Debtors were waived in exchange for a mutual release and the transfer of the Debtor's last non-exclusive license to the intellectual property which it sold to Trilegiant. A motion to approve the compromise was filed on February 13, 2002. There was no objection, and the order approving the compromise was entered on March 11, 2002.

M. <u>Application For Administrative Claims Bar Date</u>. On February 8, 2002, the Debtor applied to the Bankruptcy Court for an order setting a bar date for the filing of claims entitled to administrative priority in the Bankruptcy Court other than professionals. The order was granted the same day, setting the bar date for March 18, 2002. The notice was served on all potential administrative claimants. Only three administrative claims have been received: North Bay Networks for $100,000; the $3,914.23 claim of Marriott International, Inc. (already paid in full); and the $5,354.10 claim of DNJ Capital Partners (which may be the responsibility of UVN Holdings' buyer.

N. Objection To Claim of Exodus Communications, Inc.

On March 8, 2002, the Debtors filed their objection to the claim of Exodus Communication, Inc. By their objection, the Debtors seek to (1) reduce the amount sought in the Exodus Proof of Claim by $243,367.03 to $1,143,207.90; (2) authorize the application of the $300,000 held by Exodus to reduce the amount in the Proof of Claim; and (3) issuance of an order allowing Exodus a general unsecured claim in the amount of $643,207.90.

O. Motion For Relief From Stay By Silicon Valley Bank. On February 14, 2002, Silicon Valley Bank applied for relief from stay to recover fees claimed in connection with the payment of the letter of credit to SKS Brannan under the Debtors' compromise with it. The total fees claimed were nearly $15,000, of which nearly $10,000 was attorneys' fees. The Debtors and Committee opposed the motion. It was heard on March 14, 2002 and taken under submission by the Bankruptcy Court. The Bankruptcy Court subsequently approved $10,000 in bank and attorneys' fees.

P. Sale Of Interest In CLNKK. On March 6, 2002, the Debtors filed their Motion for Order Authorizing Sale of Stock and License Agreements Free and Clear of Liens, Claims and Interests (11 U.S.C. §§363(b),(f)(2)). By the motion, the Debtors seek authority to sell to Itochu Corporation or its authorized designee(s) the 1,000 shares of stock that Netcentives owns in Customer Loyalty Network Kabushiki Kaisha

("CLN K.K."), as well as certain license agreements, free and clear of liens, claims and interests for the sum of $10,000.00, subject to overbid. The motion was initially set for April 5, 2002, moved to March 22, 2002, and approved after that hearing.

Q. Pre-Petition Claims Bar Dates.

The last date on which a proof of claim or interest evidencing a general, unsecured claim could have been timely filed in the Bankruptcy Cases was February 11, 2002, for a pre-petition unsecured claim. The last day for a governmental entity to file its proof of claim was April 12, 2002. Any person or entity whose general unsecured claim or interest was not scheduled by the Debtors, or that was scheduled as disputed, contingent, or unliquidated had to file a proof of claim by the dates set forth above.

Creditor claims arising from the rejection of an executory contract or lease must have been filed by the time specified within the order for rejection or, if rejected by operation of the Plan, within 30 days after Confirmation.

A proof of claim for any amount against the Debtors arising out of the recovery by the Debtors of an avoidable transfer must be filed within 30 days after entry of the order or judgment avoiding the transfer.

Holders of allowed claims scheduled in the Debtors' Schedules of Assets and Liabilities (or any amendments thereto filed by the Debtors) only and not filed with the Bankruptcy Court, upon conversion of the Bankruptcy Cases to cases under Chapter 7 of the Code, may be required to file proofs of claim.

## III. SUMMARY OF PLAN OF REORGANIZATION

A. Claim Classification and Treatment:

The Plan breaks claims down into three classes and unclassified claims for payment.

Unclassified Claims consist of administrative expense claims (for post-petition unpaid services and goods), approved professional fees, and the priority claims of government taxing authorities. The Debtors will pay all such claims which are Allowed Claims in full on the Effective Date.

Class 1A consists of the single $2,500 employee wage claim of Cricket Wardein. Ms. Wardein will receive payment in full on the Effective Date.

Class 1B consists of the Allowed Claims of creditors entitled to priority under section 507(a)(6) of the Code, of which the Debtors believe there are none. Any such Allowed Claims will receive payment in full on the Effective Date.

Class 2 consists of the Allowed Claims of all general unsecured creditors and other claimants not included in Class 1A or Class 1B above or Class 3 below. Holders of Class 2 Allowed Claims shall on July 15, 2002, and the first day of every calendar quarter thereafter, receive payment of all available Cash after the payment of all other claims, hold backs for *pro rata* distributions for Disputed Claims and employee bonuses as set forth below, and the operating and professional fees actually expended and projected in Exhibit "C" hereto.

Class 3 consists of the interests of the Debtors' equity security holders. These equity security holders will retain their stock under the Plan.

B. Impairment Of Classes and Entitlement To Vote.

Class 2 is impaired by the Plan. Holders of Allowed Claims in this class are entitled to vote to accept the Plan. Class 1A, Class 1B and Class 3 are not impaired under the Plan and claimants in such classes will not be entitled to vote.

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C. Employee Bonuses.

The Debtors shall distribute bonuses to the former LMG group employees identified by prior order of the Bankruptcy Court once payments equal to 50% of the Allowed Claims of Class 3 claimants have been mailed to such claimants. It cannot yet be determined if a bonus will be payable to former LMG Group employees as recoveries and totals of Allowed Claims have not yet been fixed.

No bonuses shall be distributed to the former EMG Group employees for the following reasons: the Bankruptcy Court's order authorized the Debtors to pay the 14 employees of the EMG Group "10% of any net cash proceeds from the sale of the assets of Post Communications, Inc. ("Post"), after the payment of all creditors of Post, up to a maximum of $100,000. . . Solely for purposes of calculating the amount of this bonus, the creditor claims of Post shall include the claims of Exodus Communications, Inc." Net cash proceeds from sale totaled $721,281.14, less any hold back which is ultimately entitled to retain. YesMail currently asserts that it is entitled to retain $96,000. If this hold back is not reduced, then the net proceeds of sale will total $625,281.14. Exodus will have a stipulated claim of $643,207.90, which amount exceeds the net proceeds from the sale without taking into account other claims which the Debtors believe might be capable of being asserted against Post Communications, Inc. alone. At this point it appears that there will be no net proceeds from the Post sale under the Bankruptcy Court's prior order. The Debtors do not expect that any bonus will be paid to former employees of the EMG Group, but this conclusion is subject to a final accounting.

D. Professional Fees.

Professional fees and costs incurred after Confirmation, as well as hourly compensation and expense reimbursement to Eric Larsen and Gene Meken, shall be paid after application to the Bankruptcy Court only after notice and opportunity for hearing to any creditors who wish to receive copies of such applications. Creditors must advise the undersigned counsel in writing if they wish to receive copies of these applications. A hearing will be set to review the fees and costs asserted should there be any objection, but the amounts requested are subject to being paid absent a timely objection.

E. Post-Confirmation Role Of Creditors' Committee.

After the Effective Date, the Debtors shall prosecute all preference and avoidance actions or other legal actions which they, in their discretion and in consultation with the Creditors' Committee as set forth below, determine are likely to result in an economic benefit to the estate and bring objections to the claims which they dispute, except as otherwise provided herein. The Debtors will notify the Committee of all actions which they intend to pursue and provide copies of status conference statements to the Committee. The Debtors will also provide a written litigation status update encompassing all pending adversary proceedings every 30 days. The Debtors will consult with the Committee before agreeing to any settlement proposal of litigation. The Debtors shall also be required to accept the direction of a majority vote of the Committee to settle and seek approval for the compromise of any settlement of any adversary proceeding, contested matter or other legal dispute, whether a filing has occurred or not, on such terms as the Committee believes are reasonable, subject to the Bankruptcy Court's review and approval.

The Creditors' Committee shall also have the right to prosecute any avoidance actions, objections to claim, or other legal proceedings against current and former officers and employees of the Debtors, along with any other actions which the Debtors elect not to pursue or pursue or, after commencement, seek to dismiss without a compromise approved by the Bankruptcy Court.

F. Debtors' Deadline For Objecting To Claims.

The Debtors shall file any objections to claims which they intend to bring not later than 60 days after the Effective Date but may amend and bring new objections after that date based upon newly discovered facts.

G. Retention Of Management And Transition To Liquidating Agent.

The Debtors will operate after Confirmation with a management staff consisting of (1) Eric Larsen and/or Gene Meken, and (2) an accounting staff consisting of Cheryl Lee or a successor designated by the Debtors. Should Mr. Meken and Mr. Larsen resign, the Committee shall be entitled to approve any replacement. Should Ms. Lee resign, the Debtors will seek the advice of the Committee prior to hiring any replacement. If at any time both members of the management staff (Mr. Larsen and Mr. Meken and their replacements) and the accounting staff (Ms. Lee and her replacement) resign and are not replaced within 15 days, then a disbursing agent shall take their place with authority to take all steps necessary to complete the Plan, including full power to prosecute and settle litigation of all kinds and object to claims, and shall be subject to all of the rights and obligations of the Debtors under the Plan. The management and accounting staff referenced above and in the projections attached hereto as Exhibit "C" shall remain in place through and including September 30, 2002, unless terminated by operation of this paragraph. After October 1, 2002, the management and accounting staff shall continue in place unless the Creditors' Committee by majority vote resolves that a disbursing agent should replace the management and/or accounting staff.

H. Plan Conclusion.

The Plan shall conclude when the Debtors and Committee have completed the prosecution, to the extent feasible, of all preference and avoidance actions or other law suits brought, collected all monies owing as a result of all preference and avoidance actions or other law suits, sold their last assets, and made all payments due under the Plan.

I. Executory Contracts.

The Debtors have rejected or are rejecting through the Plan all of their executory contracts, including but not limited to all severance and employment agreements between the Debtor and any other party. All executory contracts not already rejected by Confirmation will be deemed rejected upon Confirmation. **The bar date (last day) for any party to an executory contract rejected by operation of the Plan is 30 days after Confirmation.**

J. Compromises of Controversy.

The following compromises of controversy with the Debtors will be approved as part of the Plan. The Debtors identify in footnote 5 below the legal standard for approval of compromises.[5]

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[5] The bankruptcy court has wide discretion to approve settlements. Davis v. Jackson (In re Transcontinental Energy Corp.), 764 F.2d 1296, 1299 (9th Cir. 1985). That discretion is tempered by the principle that the settlement must be fair and equitable in the circumstances for the court to approve it. Martin v. Kane (In re A & C Properties), 784 F.2d 1377, 1381 (9th Cir. 1986), cert. denied 107 S.Ct. 189 (1986).

> In determining the fairness, reasonableness and adequacy of a proposed settlement, the court must consider: '(a) the probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; (d) the paramount interest of creditors and a proper deference to their reasonable views in the premises.'

1. Comdisco, Inc. ("Comdisco") has agreed to accept a payment of $113,000 in anticipation of the approval of a compromise of all of its claims for post-petition rent and for the return of its collateral. Comdisco was an equipment lessor to Post Communications, Inc., providing computer and other electronic equipment for the operation of the EMG Group's email services. The Debtors used a portion of the some Comdisco equipment after the filing of the Bankruptcy Case, but the Debtors and Comdisco do not agree on the percentage used. When the Debtors conducted the auctions sales of their assets, they believed they had segregated and accounted for Comdisco's collateral. Instead, the Debtors inadvertently entered into contracts to sell much of what Comdisco had leased them. Comdisco prepared to assert a claim for conversion of its property as well as for unpaid post-petition rent on the equipment made part of contracts for sale. Comdisco's total claim was for $247,317.28, consisting of a market value buy out for its collateral at $134,930.77, representing 15% of book value as an approximation of market value, a Termination Notice fee of $32,574.44, and post-petition rent at the contract rate of $79,812.07. Consistent with experience in other lease buy outs, the Debtors were able to negotiate a buy out of leased hardware at 22% with no payment for software, tenant improvements or termination fees, resulting in a payment for collateral totaling $89,056.38. The Debtors were also able to obtain a consensual reduction in the post-petition rent charged through the application of section 365(d)(10) of the Code. Specifically, since only 30% of the leased equipment was actually in use in that period, the parties agreed that only 30% of the contract rent, some $23,943.62, would be payable, plus 100% of the contract rent after 60 days until

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In re A & C Properties, 784 F.2d at 1381 (quoting In re Flight Securities Litigation, 730 F.2d 1128, 1135 (8th Cir. 1985), cert. denied 105 S.Ct. 1169 (1985).

payment.

Comdisco has received payment of the compromised sum, and its right to retain the amount negotiated is subject to the approval of the compromise by the Bankruptcy Court.

Application of the four factors to the compromise justifies its approval. First, the Debtors have negotiated the precise outcome that they would have sought in an objection to any claim that Comdisco would assert. Second, since the Debtors are the parties obligated to pay and seeking approval for a reduction in a claim, the factor pertaining to difficulty of collection does not apply. Third, a hearing or trial on objection to achieve the same result that has been negotiated might cost between $2,500 and $7,500. Fourth, the Creditors' Committee helped negotiate and supports this compromise.

2. Finova Capital Corporation ("Finova") has agreed to accept a payment of $117,500 for the sale or disposition of its collateral. Finova was an equipment lessor to the Debtors. Similarly, the Debtors believed that they had segregated and were preparing to return to Finova all of its collateral. Finova offered to accept 20% of the book value of those assets. The Debtors believed that this amount was substantially in excess of the market value of that collateral, roughly equivalent to 12% of the book value. Through negotiation, the original request for pay off was lowered to the agreed $117,500.

Finova has received payment of the compromised sum, and its right to retain the amount negotiated is subject to the approval of the compromise by the Bankruptcy Court.

Application of the four factors to the compromise justifies its approval. First, the

Debtors have negotiated an outcome that is factually at least the equivalent, if not better, than what could have been achieved in an objection to Finova's claim. Second, since the Debtors are the parties obligated to pay and seeking approval for a reduction in a claim, the factor pertaining to difficulty of collection does not apply. Third, a hearing or trial on objection to achieve the same result that has been negotiated might cost between $2,500 and $7,500. Fourth, the Creditors' Committee helped negotiate and supports this compromise.

3. North Bay Networks ("North Bay") agreed to accept a payment of $67,255 to compromise the $100,000 administrative claim it filed for items purchased by it that could not be delivered because the Debtors were unable to locate them despite having listed them in its Business Asset Catalog. The Debtors worked closely with North Bay to identify each and every such item. The Debtors then negotiated a valuation for each item sold, whether delivered or not, and agreed upon a reduced purchase price by the percentage of the valuation of the undelivered items to the valuation of the total item list, that is 12.6%, or $67,255 out of the original $535,000 purchase price.

North Bay has not yet received payment of the compromise amount.

Application of the four factors to the compromise justifies its approval. First, the Debtors have negotiated a better outcome that they would have obtained in an objection to the claim that North Bay would assert: North Bay would likely be entitled to consequential damages for lost profits and expenses arising from the non-delivery of items sold to it. Such claims have been entirely waived as a result of the Debtors' negotiations. Second, since the Debtors are the parties obligated to pay and seeking approval for a reduction in a claim, the factor pertaining to difficulty of collection does not apply. Third, a hearing or trial on objection to achieve the same result that has been negotiated might cost between $2,500 and $5,000. Fourth, the Creditors' Committee has been informed of the terms of this compromise but has not yet disclosed whether it supports or objects to it.

4. Townsend and Associates ("Townsend") has agreed to accept the allowance of a general unsecured claim of $450,000 in exchange for a waiver of all claims against the Debtors. Townsend was the real property lessor to the Debtors of commercial space located at 670-690 9th Street, in San Francisco, California. This lease was rejected at the outset of this case. Townsend filed a claim for pre-petition damages totaling $570,440.60. It had not included past due rent owing at the date of filing of the Bankruptcy Cases or mitigation from one year of rent being paid by a new lessee of $119,000. Townsend then sent the Debtors a re-calculated rent roll showing all proper credits. In the Debtors' opinion, Townsend would likely be entitled to an unsecured claim of $495,906.93 for the amounts permitted to a lessor after rejection under section 502(b)(6) of the Code. In order to achieve a fixed claim now that can be sold, Townsend has agreed to discount that amount to $450,000.

Application of the four factors to the compromise justifies its approval. First, the Debtors have negotiated a better outcome that they would have obtained in an objection to the claim that Townsend would assert based upon applicable law. Second, since the Debtors are the parties obligated to pay and seeking approval for a reduction in a claim, the factor pertaining to difficulty of collection does not apply. Third, a hearing or trial on objection to achieve the same result that has been negotiated might cost between $2,500 and $3,500. Fourth, the Creditors' Committee has been informed of the terms of this compromise but has not yet disclosed whether it supports or objects to it.

5. Exodus Communications, Inc. ("Exodus") provided broadband and telecom services to both Post Communications and Netcentives. Its contract with Netcentives was assumed in the sale of the assets of Post Communications to YesMail. The amount of the cure of defaults was set at $500,000, with $300,000 paid to YesMail immediately and another $200,000 held in escrow pending agreement that the cure claim was at least $500,000. Exodus filed a timely unsecured claim for $1,343,207.90. The Debtors believed that this claim was overstated by $243,367.03, which sum represented claims for services never provided, others which had been charged after cancellation, and still others for which payment had never been credited.

Exodus agreed to the entire reduction proposed by the Debtors. Exodus will therefore keep and apply the $300,000 paid to it, receive and apply the $200,000 held in escrow, and receive an allowed general unsecured claim in the amount of $643,207.90.

Application of the four factors to the compromise justifies its approval. First, the Debtors have negotiated the precise outcome for which they prayed in their objection. Second, since the Debtors are the parties obligated to pay and seeking approval for a reduction in a claim, the factor pertaining to difficulty of collection does not apply. Third, a hearing or trial on objection to achieve the same result that has been negotiated might cost between $7,500 and $10,000. Fourth, the Creditors' Committee has been informed of the terms of this compromise but has not yet disclosed whether it supports or objects to it.

K. Disputed Claims.

The Debtors will hold back from distribution and maintain in a separate, segregated account the full amount to which the holder of any Disputed Claim would be entitled to that point from distributions under the Plan until resolution of the dispute.

L. Direction of Distributions and Unclaimed Property.

The Debtors shall mail payments under the Plan to the last known address of the holder of an Allowed Claim. That address is the address set forth in the Debtors' Schedules of Assets and Liabilities unless updated by a proof of claim or other notice of change of address. If a payment is returned for lack of a proper address, then the Debtors shall, after making reasonable efforts to locate a current address for the payee and send the payment, hold the returned payment for a period of 180 days. If the payee fails to claim the payment within that 180-day period, then the Debtors shall retain the payment to be distributed to creditors in accordance with the Plan.

M. Plan Default and Termination. If the Debtors fail to perform any payment obligations under the Plan, then the party to whom performance was owed may provide written notice of default to the Debtors and their counsel. If the default is not cured within 30 calendar days of delivery of said notice, then the party to whom or which performance is owed may, at its option, (1) bring suit in State Court or the Bankruptcy Court to enforce the terms of the Plan, (2) file a Notice of Default Under Confirmed Plan with the Bankruptcy Court and set a hearing on a motion to convert to Chapter 7 on 15 days' notice.

N. Consolidation of Assets and Liabilities of Estates.

The Bankruptcy Cases shall be substantively consolidated on the Effective Date, and all assets of the Debtors' shall be divided equally among the holders of Allowed Claims in all of the Bankruptcy Cases in accordance with the Plan as set forth above. The reasons for consolidation are that (1) the Debtors ran all three companies as a single entity since purchasing them, and it would be impossible to unwind the obligations of the Debtors to particular creditors or to each other, and (2) the Debtors have been able to identify fewer than $100,000 in claims capable of being asserted against one of the Debtors other than Netcentives out of the $15,000,000 total filed, so consolidation has almost no impact on distributions to the vast majority of creditors in the Bankruptcy Cases, and (3) the Debtors are not aware of any adverse tax consequences arising from consolidation as they do not plan to operate again, and the loss of non-transferable tax attributes such as net operating loss carry-forwards will have no effect on distributions.

The Debtors do not believe that general unsecured creditors of either Post Communications, Inc. or Maxmiles, Inc. would receive any greater recovery were the cases not consolidated. The reason is that Netcentives paid all of the expenses to operate both companies from the date of their acquisition through the date of their sales in the Bankruptcy Case. Netcentives filed a timely claim in each case in an undetermined amount on account of such payments. The total of these inter-company equalizing claims exceeds the total proceeds of sale available from the sale of the assets of each of the Post and Maxmiles estates. To illustrate, the Debtors have paid through March 2002 post-petition expenses of over $5.88 million. Assuming that only 33% of this total, ignoring pre-petition claims, is attributable to Post and Maxmiles, the administrative claim would be $1.961 million. This total exceeds the maximum gross proceeds from the sale of Post's assets to YesMail of $721,281.14 and the $210,000 received for Maxmiles's assets. By comparison, including the few claims that could be determined to be owing solely by Post and Maxmiles in the consolidated estate has less than a tenth of a percent change in the ultimate outcome for all creditors.

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O. Recovery of Potentially Avoidable Transfers.

The Debtors paid approximately $14.5 million to creditors within the 90 days before filing its petition. This sum does not include the Debtors' payroll, but does include other disbursements to employees. Most of these payments to creditors were either not preferential, or were made in the ordinary course of the Debtors' business. Many were small, and the Debtors will not pursue preference law suits against persons and entities which received $5,000 or less. The Debtors have, however, identified approximately $2.2 million of payments during this period made to trade creditors on overdue invoices, or as the result of the creditor's aggressive collection pressure. Approximately $1.8 million of these payments were to eight creditors; the remainder was made to approximately 22 other trade creditors. Included are payments to All Star Incentive Marketing totaling $930,000; to Hinda, Inc. totaling $550,000; to Exodus Communications totaling $350,000; to Zellers totaling $250,000; to EMC totaling $450,000; to Crown Marketing Group totaling $165,000; to Everest totaling $115,107; and to American Airlines totaling $137,000. A summary with the totals of payments made to creditors within 90 days of the commencement of the Bankruptcy Cases is attached hereto as Exhibit "A". The Debtors have demanded return of many of these preferential transfers, and will vigorously pursue their collection where valid defenses are not raised in response to demands made.

The Debtors also paid approximately $212,000 to 27 employees during the 90 day preference period for expense reimbursement, not including payroll. With the exception of Murray Brozinsky, Edward SooHoo and Betty Bloxham, the Debtors do not presently intend to recover these payments. In general, the payments were made in the ordinary course of the Debtors' business and were consistent with the industry standards. Furthermore, the Debtors believe that, even if certain payments were found to be excessive in the Internet industry, they would be extremely difficult to collect and that there is little economic utility in pursuing them. The Debtors have determined this collection effort would not be cost effective for the estates, but the Committee will have the right to prosecute such claims under the Plan. The Debtor believes that Mr. SooHoo submitted fraudulent expense reports in substantial amounts. Mr. SooHoo asserts a counter-claim against Netcentives, Inc. for alleged employment discrimination, back wages and unpaid time off on the ground that he took three paid days off over some 2-3 years. Ms. Bloxham filed a pre-petition law suit for unpaid wages for overtime of some $103,000; she asserts that she should have been classified as a non-exempt employee when she was classified as exempt.

## IV. ALTERNATIVES TO THE PLAN.

### A. General.

The Debtors believe that the Plan provides creditors with the earliest and greatest value that can likely be obtained on their respective claims and interests. The alternative to confirmation of the Plan is liquidation of the Debtors under Chapter 7 of the Code.

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The Debtors' assets[6] and expected recoveries are as follows[7].

| | |
|---|---|
| Cash | $6,256,309 |
| Accounts receivable | $ 350,000[8] |
| Unsold F,F&E and Gift Certificates | $ 45,000 |
| YesMail escrow | $ 96,000 |
| Net Avoidance Action Recoveries | $ 950,000[9] |
| Projected total assets | $7,697,309 |

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[6] An accounting of the proceeds of sale and all expenditures in the case through March 31, 2002, is attached hereto as Exhibit "B".

[7] All totals are as of March 31, 2002.

[8] The Debtors have collected all accounts receivable that are capable of collection with the exception of monies owing from American Express.

[9] The Debtors and their counsel have reviewed the avoidance actions available to the estate and, after sending demand letters and reviewing responses and potential defenses, believe that roughly $950,000 will eventually be collected from the actions which the Debtors intend to file.

The following creditor claims and Chapter 7 and Chapter 11 expenses would then have to be subtracted from this total:

| | Chapter 7 | Chapter 11 |
|---|---|---|
| Chapter 7 Trustee's fee[10] | <$ 246,630> | |
| Chapter 7 attorneys | <$ 195,000>[11] | |
| Chapter 11 attorneys | | <$ 145,000>[12] |
| Chapter 7 accountants | <$ 92,400>[13] | |
| Chapter 11 accountants | | <$ 60,000>[14] |

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[10] Bankruptcy Code section 326 allows a maximum fee of this amount. A trustee must apply to the Bankruptcy Court for compensation and prove entitlement to the fees with support for actual services rendered. The size and complexity of this case, need for a new bar date, further claims analysis, evaluation of all actions and activities undertaken in Chapter 11, and assessment of new actions to be taken will cause delay and expense likely ensuring that a trustee would earn his or her maximum statutory compensation.

[11] Chapter 7 legal expenses would include a trustee's counsel completing the work for which (1) Debtors' bankruptcy counsel budgeted $120,000, (2) Committee counsel has been budgeted $15,000, (3) special labor counsel has budgeted $10,000. Also included is $10,000 for historical review of all files of all counsel, $20,000 for interviewing Chapter 11 and special counsel and former employees to familiarize themselves with litigation matters such as claims objections, ClickRewards declaratory relief, avoidance action prosecution, tax and labor disputes, $10,000 to pay counsel and employees for the time that they spend with the trustee's counsel, and $10,000 to review and object to new claims filed by the new bar date.

[12] Debtors' counsel projects to spend $120,000 after June 1, 2002, on tasks including completion of the Plan's confirmation, litigation of the dispute with American Express, litigation of objections to the ClickRewards' claimants' claims, preference litigation, general claims objections and the distribution to creditors. $15,000 has been projected for Creditors' Committee counsel and $10,000 for special labor counsel in this estimate.

[13] The figure estimated for the fees of a Chapter 7 trustee's accountant is derived from the cost of Chapter 11 accountants projected for preparing all tax returns required, plus the cost of paying accounting employees from an outside accountant to gather and interpret the information on which the consultants are projected to spend 324 hours to support the preparation of all necessary returns under the Plan.

| | | |
|---|---|---|
| Chapter 11 Plan Expenses (legal excl.) | | <$ 161,390>[15] |
| Unapproved Ch. 11 Professional Fees | <$ 298,500> | <$ 298,500>[16] |
| Priority Tax Claims | <$ 592,222> | <$ 592,222> |
| TOTAL CHAPTER 7 EXPENSES | <$1,424,752> | |
| TOTAL CHAPTER 11 EXPENSES | | <$ 1,257,112> |

UNSECURED CLAIMS FILED AND SCHEDULED: $15,000,000

PERCENTAGE DISTRIBUTION IN CHAPTER 7 . . . . . . . . . . . . . . . . . . 41.81%
PERCENTAGE DISTRIBUTION IN CHAPTER 11 . . . . . . . . . . . . . . . . . 42.93%

The Debtors contend that the Plan provides at least as great a distribution as a hypothetical Chapter 7. The bases for this contention are as follows. First, certain fees of Chapter 7 (such as the trustee's compensation of up to $246,630) can be avoided by confirming the Plan. Second, outside professionals will charge the estates more to do work being performed by the Debtors' employees on a consulting basis[17]. Third, a trustee's legal counsel would have to expend substantial time in familiarizing themselves and completing the tasks in footnote 11 above that would not be necessary in Chapter

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Tax preparation for tax years 2001 and 2002

15 The $161,390 figure is the remainder of the total expenses projected for performing the Plan from an assumed June 1, 2002 Effective Date through September 30, 2002 ($306,390) less the projected legal expenses of the Debtors and Committee for that period of $145,000. All expenses are estimated and may increase in the event of unexpected difficulties in litigation or disputes over claims in excess of those currently anticipated.

16 This number consists of unapproved attorneys' fees by the Committee and Debtors counsel, with an estimated $45,000 to be asserted by the Committee, an estimated $20,000 to be asserted by special labor counsel and an estimated $253,500 to be asserted by Debtors' counsel through Confirmation.

17 The Debtors assume, for example, that outside accountants would charge the estates more than the $85 per hour that Ms. Lim and Mr. Suzuki charge, the $110 per hour that Ms. Lee charges, and that, at a minimum, each of these people would have to be hired back at the same cost, though indications are that many would not be available after a conversion.

11. A trustee might choose to explore further legal actions and increase his or her legal expenses even more than has been projected. Fourth, the publication of a new bar date for claims will allow previously late-filed claims to be filed in a timely fashion and permit claims never filed at all that are now barred to be filed. Fifth, the collective expertise and experience in the consultant staff that has been retained will likely yield better results for the estate on critical tax analysis, avoidance actions and objections to claim than a group of outside professionals unfamiliar with the business operations of the Debtors can offer. Sixth, though there is no direct effect on expenses, a new bar date in Chapter 7 and the need to complete the tasks outlined above in this paragraph and in footnote 11 would delay distribution by at least four months and perhaps substantially longer whereas the Plan provides for payment in June and September, 2002.

The Debtors have created a detailed model of their operations through the period of greatest anticipated activity (through September 30, 2002) when expenses projected would remain variable. The Debtors have attached cash flow projections going forward as Exhibit "C" hereto, which show not only projected expenditures on a weekly basis, but cash inflows expected and the balance on hand through the dates of the first two distributions under the Plan. Following the cash projections as Exhibit "D" is a table showing summarizing expenditures by week and then by month and category. Exhibit "E" lists the total hours to be expended by each of the consultants on weekly basis. Exhibit "F" is a graph of the consultants' time projected from the assumed June 1, 2002 Effective Date, through September, 2002, by which time the majority of tasks under the Plan will have been completed. Exhibit "G" is the most critical of the model's exhibits because it specifies the projects on which the consultants will be spending their time by consultant with their hourly rates and total projected compensation across the top line.

Here, it is possible for any party to review the project list and consider for himself of herself the tasks which the Debtors deem essential to close the Bankruptcy Cases and the cost of doing them. Exhibit "H" provides information about each of the consultants, their qualifications and how they are suited to perform the projects to which they have been assigned.[18]

## V. FEASIBILITY

The Code requires a finding that confirmation of the Plan not be likely to be followed by either liquidation or the need for further reorganization. The Plan calls for operations according to the projections set forth in Exhibit "C" hereto, with a 10% permitted variance upward or downward and certain rights to expend funds for emergencies.[19] The Debtors expect to wind down operations quite fast from this point forward, maintaining only a minimal staff for the purpose of completing the sale of assets, reviewing and recovering avoidable transfers, objecting to claims and completing tax returns and reporting.

The Plan is feasible in that funds necessary to pay all projected operating and professional expenses are in hand and will be maintained by the Debtors to ensure that the Plan can be completed.

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[18] Matching Exhibits "I"-"L" provide the same information offered in Exhibits "C" -"G" for the period April 1 through May 30 to provide information for the period from the present until the Effective Date.

[19] The Debtors are authorized by the Plan to expend in each calendar month up to 10% more than the total expenditures set forth in Exhibit "C" for additional expenditures that they deem to be reasonably necessary. The Debtors are to obtain the permission of the Creditors' Committee to expend more than 10% more than the expenditures set forth in Exhibit "C" for non-emergency expenses. The Debtors may also expend funds to pay for emergency expenses not in Exhibit "C" and in excess of the aforementioned 10% authorized over-expenditure in their discretion and may request that the Creditors' Committee approve such expenses retroactively.

The Plan is also feasible insofar as, with $6.2 million in cash in hand, there is no doubt that all administrative and priority payments will be made as and when due. Payment of the remaining claims will occur *pro rata* and from remaining funds without any guaranteed minimum.

## VI. DISCLOSURES REGARDING INSIDERS.

All of the Debtors' directors and officers have resigned from their salaried positions. As is set forth in detail in Exhibits "C" - "H" hereto, the Debtors are retaining various prior employees, including Eric Larsen and Gene Meken, on an hourly and as-needed basis. Mr. Larsen's hourly rate is $350. Mr. Meken's hourly rate is $300. Mr. Larsen's annual salary before he went to an hourly rate was $375,000. He will receive a projected $18,200 for services rendered through Confirmation and under the Plan through September 30, 2002. Mr. Meken's annual salary before he went to an hourly rate was $300,000. He will receive a projected $70,200 for services rendered through Confirmation and under the Plan through September 30, 2002.

## VII. MODIFICATION.

Under the Code and the Bankruptcy Rules the Plan's proponents (The Debtors) may, subject to Bankruptcy Court approval, modify the Plan after the Plan has been submitted for acceptance or rejection. In addition, the Plan may be modified after Confirmation and any time until the Plan has been substantially consummated. The manner in which the Plan may be modified is set forth in Section 1127 of the Code and Bankruptcy Rule 3019. In general, the Bankruptcy Court may approve of modification of the Plan without a resolicitation, so long as (a) the Plan, as modified, continues to comply with the applicable provisions of the Code, and (b) modification does not adversely change the treatment of creditors.

## VIII. CONCLUSION.

A. Effect of Confirmation.

If the Plan is confirmed, its terms and conditions will be binding on all creditors and shareholders.

B. Recommendation.

This Disclosure Statement has been presented for the purpose of enabling you to make an informed judgment to accept or reject the Plan. You are urged to read the Plan in full and consult with counsel if you have questions. The Debtors therefore believe that acceptance of the Plan is in the best interest of all creditors and will provide the best recovery in the Bankruptcy Case.

Dated: May 7, 2002

NETCENTIVES, INC.
POST COMMUNICATIONS, INC.
MAXMILES, INC.

By: S/S
Eric Larsen

Their: President

Dated: May 7, 2002

BINDER & MALTER, LLP

By: Robert G Harris
Robert G. Harris

Attorneys for Debtors-in-Possession Netcentives, Inc., Post Communications, Inc., and Maxmiles, Inc.

EXHIBIT A

| Name | Amount |
| --- | --- |
| ABD Insurance and Financial INC. Total | 386,478.57 |
| ADRIENNE DOWN COULSON Total | 14,165.51 |
| All Star Consulting, Inc. Total | 49,838.00 |
| ALL STAR INCENTIVE MARKETING INC. Total | 929,790.34 |
| America West Airlines, Inc. Total | 9,878.14 |
| American Airlines INC. Total | 137,110.42 |
| American Express Total | 38,360.45 |
| AMERICAN STOCK TRANSFER & TRUST COMPANY Total | 9,805.81 |
| Ampco Parking System INC. Total | 59,960.00 |
| Andy Garrison Total | 2,546.90 |
| AT&T WIRELESS SERVICES (SF) Total | 8,050.53 |
| BAKER & MCKENZIE Total | 4,458.09 |
| Bay Area Technology Management Total | 2,556.20 |
| BINDER & MALTER, LLP Total | 41,609.83 |
| Bizan Tabatabaian Total | 3,132.39 |
| BLUE SHIELD OF CALIFORNIA INC. Total | 217,317.73 |
| Brian Peterson Total | 6,453.95 |
| Bryn R. Smith Total | 8,800.00 |
| Capital One Total | 5,000.00 |
| CDNOW, Inc. Total | 4,050.00 |
| Ceridian Employer Services INC. Total | 2,302,175.20 |
| Chenery & Company, Inc. Total | 9,600.00 |
| Collective Technologies/Pencom Total | 17,355.00 |
| COMSYS INC. Total | 24,490.00 |
| Consultants Online Total | 28,560.00 |
| COR-O-VAN MOVING & STORAGE, INC. Total | 4,751.21 |
| Cricket Wardein Total | 4,239.59 |
| CROWN MARKETING GROUP, INC. Total | 165,000.00 |
| CSC INC. Total | 2,855.84 |
| DAN ZAMUDIO Total | 2,986.22 |
| DELAWARE SECRETARY OF STATE Total | 30,000.00 |
| DELL MARKETING, LP Total | 8,726.04 |
| Deloitte & Touche LLP Total | 269,253.00 |
| Delta Dental Plan of California CORP. Total | 53,062.36 |
| DELTA LOYALTY MANAGEMENT SERVICES, INC. Total | 17,454.94 |
| DIXON WEB Total | 12,826.50 |
| DON EDRINGTON Total | 4,512.26 |
| DOUGLASS GARIBALDI Total | 11,000.00 |
| DRINKER, BIDDLE, & REATH, LLP Total | 22,801.35 |
| DRINKER, BIDDLE, & ROTH, LLP Total | 32,916.11 |
| EMC CORPORATION Total | 449,466.11 |
| ERIC LARSEN Total | 38,619.29 |
| EVEREST Total | 115,107.91 |
| Exodus Communic., Inc (San Tomas Expr) Total | 350,113.03 |
| FedEx Total | 6,995.10 |
| Finnegan Law Group Total | 41,114.67 |
| FOREACTION .COM Total | 10,000.00 |
| Forrester Research, Inc. Total | 8,500.00 |
| FROST MEDIA RELATIONS Total | 6,429.12 |
| FUTURE COMPUTING SOLUTIONS INC. Total | 14,083.13 |
| GENE MEKEN Total | 62,761.54 |
| GENERAL COUNSEL ASSOCIATES, LLP Total | 31,465.00 |
| GIFTCERTIFICATES.CA Total | 453,269.00 |
| GMG Janitorial, Inc. Total | 12,170.00 |

| Name | Amount |
|---|---|
| Golden Gate Disposal INC. Total | 2,710.36 |
| Golden Retriever Systems, LLC Total | 72,998.13 |
| Graphics Plus, Inc. Total | 3,645.00 |
| GRS Holdings, Inc. Total | 87,534.09 |
| HAMMS BUILDING ASSOCIATES Total | 121,905.75 |
| HANS PETER BRONDMO Total | 25,251.82 |
| Henry Birks & Sons Total | 5,276.55 |
| HINDA, INC. Total | 549,323.55 |
| HOYT LIVERY INC. Total | 4,119.38 |
| HUDSON'S BAY LOYALTY MANAGEMENT (HK) LTD Total | 25,681.08 |
| INTRANATIONAL COMPUTER CONSULTANTS, INC. Total | 74,146.25 |
| JENNIFER PLOSZAJ Total | 3,479.42 |
| Jeremy Keenan Total | 3,133.92 |
| JEROME COMEAU Total | 6,522.00 |
| JOHN J DONOVAN, JR Total | 10,484.64 |
| JOHN T WHITE Total | 6,750.00 |
| JOLLY TECHNOLOGIES, INC. Total | 8,550.00 |
| Kaiser Foundation Health Plan, Inc. Total | 39,912.02 |
| KAMAL ARAFEH Total | 8,221.39 |
| KAREN COHEN Total | 10,161.40 |
| KEVIN CASTILLO Total | 3,722.91 |
| KEVIN JOHNSON Total | 9,164.17 |
| Kyle A Meyer Total | 2,622.23 |
| LANA LITOVSKAYA Total | 3,518.19 |
| Law Offices of Leland Wiesner Total | 25,571.05 |
| Leap Frog Consulting Total | 7,120.00 |
| LOUIS PONTICAS DBA HCC CONSULTING Total | 34,840.00 |
| MAMTA GOYAL Total | 5,750.00 |
| Marcy Shugert Total | 3,167.35 |
| MBA Financial Services INC, Total | 2,803.13 |
| MBA OF CALIFORNIA - HAYWARD Total | 3,896.46 |
| MBA OF CALIFORNIA, INC. - PASADENA Total | 2,896.80 |
| MCI Worldcom Communications-8770092007 Total | 8,705.67 |
| MCI Worldcom Conferencing-00044809702 Total | 7,139.05 |
| MCM & Associates CORP. Total | 10,835.00 |
| Michael Fassnacht Total | 5,015.59 |
| Michelle Franzoia Total | 3,443.61 |
| Mike Moss Total | 3,150.31 |
| MIMI CHOU Total | 9,859.50 |
| MRI SALES CONSULTANTS OF SALT LAKE CITY Total | 23,750.00 |
| Murray Brozinsky Total | 17,956.32 |
| Nationwide Life Insurance INC. Total | 377,496.79 |
| Nextel Communications Total | 5,711.74 |
| Northwest Airlines, Inc. Total | 81,091.40 |
| Not the Same Old Grind INC. Total | 11,494.30 |
| OFFICERS SECURITY SERVICES, INC. Total | 7,744.00 |
| One Workplace L. Ferrari Total | 12,680.60 |
| Pacific Bell Total | 71,935.29 |
| PacifiCare Behavioral Health INC. Total | 5,865.30 |
| Pamela Dunn Total | 2,741.75 |
| PATRICK MANCUSO Total | 5,328.18 |
| Paymentech, Inc. Total | 8,000.00 |
| PeopleSoft USA, Inc. Total | 27,000.00 |

| Name | Amount |
|---|---|
| PEOPLESUPPORT INC. Total | 72,226.85 |
| PG&E Total | 87,202.32 |
| Plan Design Consultants INC Total | 15,539.10 |
| PR Newswire, Inc. Total | 4,945.50 |
| Prime Time Marketing, Inc. Total | 3,880.77 |
| Promotion Mechanics Total | 3,991.00 |
| PRUDENTIAL INSURANCE Total | 53,681.98 |
| Purchase Power INC. Total | 3,438.00 |
| QWEST Total | 35,988.89 |
| RATIONAL SOFTWARE CORPORATION Total | 2,955.24 |
| RAUCH ASSOCIATES Total | 10,450.00 |
| Reid Smith & Associates, Inc. Total | 4,022.00 |
| RICHARD A CLEVE Total | 2,503.28 |
| Roadtrips Total | 3,204.00 |
| Robbins Marketing, LLC Total | 17,000.63 |
| Rockefeller Group Business Centers Inc. Total | 11,105.00 |
| Ron Kieves Total | 4,363.67 |
| RSM McGladrey, Inc. Total | 12,217.00 |
| SALES PRINT INC. Total | 9,444.39 |
| SAN FRANCISCO TAX COLLECTOR Total | 47,312.68 |
| Sandra Ehlert Total | 13,939.48 |
| SARAH CORR Total | 5,193.75 |
| Scient Corporation Total | 25,000.00 |
| SCOTT WAGNER Total | 11,010.33 |
| SHAWN FISHER Total | 4,911.89 |
| SHEAKLEY UNISERVICE, INC. Total | 63,007.40 |
| SIEGELGALE Total | 86,568.55 |
| SILICON VALLEY BANK Total | 2,008,384.73 |
| SKJERVEN MORRILL MACPHERSON, LLP Total | 32,668.47 |
| SKS BRANNAN ASSOCIATES, LLC. Total | 477,358.67 |
| SMB LEASING SOLUTIONS Total | 5,984.53 |
| SPACE JOCKEYS, LLC Total | 3,375.00 |
| Starwood Hotels & Resorts INC. Total | 17,939.18 |
| STEVE KOENIG Total | 4,181.23 |
| TEKsystems Total | 37,077.31 |
| TOM STOREY Total | 4,088.59 |
| Totalsoft Development Corp. Total | 14,540.14 |
| TOUCH AMERICA Total | 8,794.49 |
| Townsend and Townsend and Crew Total | 46,792.55 |
| TOWNSEND ASSOCIATES, LLC Total | 36,329.07 |
| Trans World Airlines, Inc. Total | 9,646.99 |
| UNITED AIRLINES, INC Total | 670,513.10 |
| USI CONSULTING GROUP, INC Total | 10,111.70 |
| V Technology Group, Incorporated Total | 13,997.50 |
| VALLEJO STATIONERS Total | 3,120.75 |
| VANGUARD LEGATO Total | 23,521.98 |
| Venture Law Group CORP. Total | 7,754.50 |
| Verizon Wireless Total | 14,764.81 |
| Vision Service Plan CORP. Total | 12,159.89 |
| WHITNEY STROTZ Total | 4,887.05 |
| WILEY, REIN & FIELDING Total | 75,000.00 |
| WILLIAM S. BAILEY Total | 6,557.73 |
| WorldCom, Inc. Total | 2,994.19 |

| Name | Amount |
| --- | --- |
| XTRON Software Services, Inc. Total | 12,000.00 |
| Zellers, Inc. Total | 249,556.24 |
| **Grand Total** | **12,875,049.91** |

EXHIBIT B

| | Oct Act | Nov Act | Dec Act | Jan Act | Feb Act | Mar Act |
|---|---|---|---|---|---|---|
| Beginning balance unrestricted | 3,231,240.41 | 3,565,870.36 | 2,682,010.26 | 5,189,674.59 | 5,155,667.98 | 4,747,379.27 |
| Beginning balance restricted | - | 444,809.32 | 627,363.59 | 1,254,512.46 | 1,207,612.46 | 1,207,612.46 |
| Total beginning balance | 3,231,240.41 | 4,010,679.68 | 3,309,373.85 | 6,444,187.05 | 6,363,280.44 | 5,954,991.73 |
| | | | | | | |
| **Cash inflows** | | | | | | |
| Non-restricted cash | | | | | | |
| Transfer from other accounts | 68,263.07 | - | - | - | - | - |
| AR | 1,013,036.49 | 579,689.33 | 347,002.96 | 689,153.01 | 42,603.07 | 30,826.69 |
| Total Auction proceeds | - | 362,000.00 | 3,875,795.10 | - | - | |
| BM retention | - | - | - | 46,900.00 | - | - |
| Insurance refunds | 5,198.51 | - | 816.47 | - | 90,035.17 | 17,554.32 |
| Interest income | - | - | - | - | 1,454.16 | 6,383.25 |
| Other | 19,832.99 | 11,397.39 | 6,303.36 | 1,904.59 | 2,570.73 | 1,214,107.63 |
| AllStar return of funds | - | - | 84,996.75 | - | - | - |
| Total non-restricted | 1,106,331.06 | 953,086.72 | 4,314,914.64 | 737,957.60 | 136,663.13 | 1,534,753.73 |
| | | | | | | |
| Restricted cash | | | | | | |
| YesMail Exodus | - | - | 200,000.00 | - | - | - |
| Lighthouse | 444,809.32 | 182,554.27 | 254,248.87 | - | - | - |
| BM retention | - | - | 172,900.00 | - | - | - |
| Total restricted cash | 444,809.32 | 182,554.27 | 627,148.87 | - | - | - |
| | | | | | | |
| Total cash inflows | 1,551,140.38 | 1,135,640.99 | 4,942,063.51 | 737,957.60 | 136,663.13 | 1,534,753.73 |
| | | | | | | |
| **Cash outflows** | | | | | | |
| Unrestricted cash | | | | | | |
| Subtotal non-operating | - | 24,620.08 | 802,650.00 | 598,984.05 | - | 11,218.90 |
| | | | | | | |
| Operating | | | | | | |
| Total Payroll and Payroll related | 503,732.47 | 1,077,657.27 | 842,332.08 | 26,228.32 | 9,872.33 | |
| Consultants | 16,097.96 | 38,196.90 | 28,524.72 | 67,702.30 | 86,487.96 | 77,654.23 |
| Employee reimbursement | 8,237.33 | 16,979.25 | 23,891.42 | 2,582.00 | 153.18 | - |
| Office Equipment | - | - | - | - | - | - |
| Telecomm | - | 17,910.21 | 10,044.11 | 36,585.35 | 7,464.79 | 7,131.63 |
| Occupancy | - | 3,286.50 | 9,360.83 | - | 3,945.00 | 4,070.00 |
| Utilities | - | 64,020.72 | 325.29 | 18,717.90 | - | 30.94 |
| Web hosting (Exodus) | - | - | 14,110.95 | - | - | - |
| Freight | 379.75 | 40.00 | 1,135.85 | 864.80 | 1,798.07 | 684.09 |
| Equipment lease | 2,948.57 | - | 1,140.56 | 7,052.50 | 1,196.59 | - |
| Legal | - | 1,166.00 | - | - | 298,140.05 | 38,367.00 |
| Insurance | - | - | 48,036.96 | - | 8,219.00 | - |
| Moving/Storage | 221.08 | 6,067.66 | 2,387.68 | 5,559.08 | 6,181.75 | 4,108.84 |
| Office supplies | 1,086.78 | 28.63 | 564.67 | 357.20 | 105.78 | 153.27 |
| Payroll service fees | 769.21 | 7,451.47 | 2,448.55 | 159.00 | 1,632.40 | - |
| Parking | - | 14,990.00 | 7,738.75 | - | - | - |
| Repairs and maint | - | 8,882.43 | 2,600.00 | - | - | - |
| Stock administration | - | 672.23 | - | 1,641.23 | 750.00 | 750.00 |
| Advertising | 50,070.34 | - | - | - | - | - |
| Trustee fees | - | - | - | - | - | 250.00 |
| Filing fees | - | - | 800.00 | 3,000.00 | - | 2,000.00 |
| Outside services (Peoplesupport) | - | 36,466.00 | 6,533.25 | - | - | - |
| Outside services | - | 20,334.99 | 1,931.25 | - | - | - |
| Other | 100.00 | 2,890.89 | 693.39 | 2,530.48 | 1,502.22 | 2,001.00 |
| Taxes | 271.00 | - | - | - | 28,687.25 | 3,403.95 |
| Subtotal redemption suppliers | 187,786.62 | 495,285.59 | - | - | 88,815.47 | |
| Subtotal operating | 771,701.11 | 1,812,326.74 | 1,004,600.31 | 172,980.16 | 544,951.84 | 140,604.95 |
| Total non-restricted | 771,701.11 | 1,836,946.82 | 1,807,250.31 | 771,964.21 | 544,951.84 | 151,823.85 |
| | | | | | | |
| Restricted cash | | | | | | |
| Exodus escrow | - | - | - | - | - | 200,000.00 |
| Lighthouse | - | - | - | - | - | 881,612.46 |
| Retention set-aside | - | - | - | 46,900.00 | - | - |
| Total restricted | - | - | - | 46,900.00 | - | 1,081,612.46 |
| | | | | | | |
| Total cash outflows | 771,701.11 | 1,836,946.82 | 1,807,250.31 | 818,864.21 | 544,951.84 | 1,233,436.31 |
| | | | | | | |
| Net non-restricted cash inflow(outflow) | 334,629.95 | (883,860.10) | 2,507,664.33 | (34,006.61) | (408,288.71) | 1,382,929.88 |
| Net restricted cash inflow(outflow) | 444,809.32 | 182,554.27 | 627,148.87 | (46,900.00) | - | (1,081,612.46) |
| | | | | | | |
| Ending balance non-restricted | 3,565,870.36 | 2,682,010.26 | 5,189,674.59 | 5,155,667.98 | 4,747,379.27 | 6,130,309.15 |
| Ending balance restricted | 444,809.32 | 627,363.59 | 1,254,512.46 | 1,207,612.46 | 1,207,612.46 | 126,000.00 |
| Ending balance total | 4,010,679.68 | 3,309,373.85 | 6,444,187.05 | 6,363,280.44 | 5,954,991.73 | 6,256,309.15 |

EXHIBIT C

| | 07-Jun-02 | 14-Jun-02 | 21-Jun-02 | 28-Jun-02 | 05-Jul-02 | 12-Jul-02 | 19-Jul-02 | 26-Jul-02 | 02-Aug-02 | 09-Aug-02 | 16-Aug-02 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning cash balance** | $ 6,025.5 | $ 6,023.8 | $ 6,017.1 | $ 6,008.5 | $ 1,003.1 | $ 1,129.1 | $ 1,123.8 | $ 1,117.3 | $ 1,102.9 | $ 1,056.4 | $ 1,055.3 |
| | | | | | | | | | | | |
| **Cash in** | | | | | | | | | | | |
| AR | - | - | - | - | - | | | - | - | - | - |
| Auction proceeds | - | - | - | - | - | - | - | - | - | - | - |
| Interest income | 7.1 | - | - | - | 7.2 | - | - | - | 1.1 | - | - |
| Transfer in from other accounts | - | - | - | - | 126.0 | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - | 100.0 |
| Total cash in | 7.1 | - | - | - | 133.2 | - | - | - | 1.1 | - | 100.0 |
| | | | | | | | | | | | |
| **Cash out** | | | | | | | | | | | |
| Operating expenses | | | | | | | | | | | |
| Consultants | 4.7 | 6.2 | 7.2 | 5.4 | 4.1 | 5.3 | 5.7 | 5.3 | - | 1.1 | - |
| Travel for Confirmation hearing | - | - | - | - | - | - | - | - | - | - | - |
| Moving/Storage | - | - | - | - | - | - | - | - | - | - | - |
| Office Supplies | - | 0.5 | 0.2 | - | - | - | 0.7 | - | - | - | 0.5 |
| Occupancy | 4.0 | - | - | - | 3.0 | - | - | - | 2.5 | - | - |
| Bank Service Charges | 0.1 | - | - | - | 0.1 | - | - | - | 0.1 | - | - |
| Insurance - general liability | - | - | - | - | - | - | - | - | - | - | - |
| Accounting (2001/02 tax preparation) | - | - | - | - | - | - | - | - | 45.0 | - | - |
| Filing Fees (Edgarization) | - | - | 1.0 | - | - | - | - | 1.0 | - | - | - |
| Legal | - | - | - | - | | - | - | - | - | - | - |
| Postage and Delivery | - | - | 0.2 | | | - | 0.1 | - | - | - | - |
| Trustee fees | - | - | - | | | - | - | 8.0 | - | - | - |
| Property taxes | - | - | - | - | - | - | - | - | - | - | - |
| Non-operating expenses | | | | | | | | | | | |
| Disbursements | - | - | - | 5,000.0 | - | - | - | - | - | - | - |
| Lease/Equipment buyout | - | - | - | - | - | - | - | - | - | - | - |
| Catch up utilities/telecomm | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | |
| Total cash out | 8.8 | 6.7 | 8.6 | 5,005.4 | 7.2 | 5.3 | 6.5 | 14.3 | 47.6 | 1.1 | 0.5 |
| | | | | | | | | | | | |
| Net cash flow | (1.7) | (6.7) | (8.6) | (5,005.4) | 126.0 | (5.3) | (6.5) | (14.3) | (46.5) | (1.1) | 99.5 |
| | | | | | | | | | | | |
| **Ending unrestricted cash balance** | $ 6,023.8 | $ 6,017.1 | $ 6,008.5 | $ 1,003.1 | $ 1,129.1 | $ 1,123.8 | $ 1,117.3 | $ 1,102.9 | $ 1,056.4 | $ 1,055.3 | $ 1,154.8 |
| | | | | | | | | | | | |
| Add: restricted cash (retention) | 126.0 | 126.0 | 126.0 | 126.0 | - | - | - | - | - | - | - |
| | | | | | | | | | | | |
| **Ending cash balance** | 6,149.8 | 6,143.1 | 6,134.5 | 1,129.1 | 1,129.1 | 1,123.8 | 1,117.3 | 1,102.9 | 1,056.4 | 1,055.3 | 1,154.8 |

Transfer of retention funds from BinderMalter account

Projected State of Delaware tax refund

1st quarterly distribution, estimate

* Assumes completion of case as of 09/30/02.

| | 23-Aug-02 | 30-Aug-02 | 06-Sep-02 | 13-Sep-02 | 20-Sep-02 | 27-Sep-02 |
|---|---|---|---|---|---|---|
| **Beginning cash balance** | $ 1,154.8 | $ 1,152.5 | $ 1,152.5 | $ 1,150.6 | $ 186.1 | $ 186.0 |
| | | | | | | |
| **Cash in** | | | | | | |
| AR | - | - | - | - | - | - |
| Auction proceeds | - | - | - | - | - | - |
| Interest income | - | - | 1.1 | - | - | - |
| Transfer in from other accounts | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total cash in | - | - | 1.1 | - | - | - |
| | | | | | | |
| **Cash out** | | | | | | |
| Operating expenses | | | | | | |
| Consultants | 2.0 | - | 0.4 | 2.4 | - | 3.7 |
| Travel for Confirmation hearing | - | - | - | - | - | - |
| Moving/Storage | - | - | - | - | - | 13.0 |
| Office Supplies | 0.2 | - | - | 0.5 | - | 0.2 |
| Occupancy | - | - | 2.5 | - | - | - |
| Bank Service Charges | - | - | 0.1 | - | - | 0.1 |
| Insurance - general liability | - | - | - | - | - | - |
| Accounting (2001/02 tax preparation) | - | - | - | - | - | 15.0 |
| Filing Fees (Edgarization) | - | - | - | - | - | 1.0 |
| Legal | - | - | - | - | - | 145.0 |
| Postage and Delivery | 0.1 | - | - | - | 0.1 | - |
| Trustee fees | - | - | - | - | - | 8.0 |
| Property taxes | - | - | - | - | - | - |
| Non-operating expenses | | | | | | |
| Disbursements | - | - | - | 961.6 | - | - |
| Lease/Equipment buyout | - | - | - | - | - | - |
| Catch up utilities/telecomm | - | - | - | - | - | - |
| | | | | | | |
| Total cash out | 2.3 | - | 3.0 | 964.5 | 0.1 | 186.0 |
| | | | | | | |
| Net cash flow | (2.3) | - | (1.9) | (964.5) | (0.1) | (186.0) |
| | | | | | | |
| **Ending unrestricted cash balance** | $ 1,152.5 | $ 1,152.5 | $ 1,150.6 | $ 186.1 | $ 186.0 | $ (0.0) |
| | | | | | | |
| Add: restricted cash (retention) | - | - | - | - | - | - |
| | | | | | | |
| **Ending cash balance** | 1,152.5 | 1,152.5 | 1,150.6 | 186.1 | 186.0 | (0.0) |

$120K BinderMalter best faith estimate.
$10K: Employment attorney.
$15K: estimate for Creditors Committee attorney.

2nd quarterly distribution, estimate.

* Assumes completion of case as of 09/30/02.

EXHIBIT D

By Week

| | 7-Jun | 14-Jun | 21-Jun | 28-Jun | 5-Jul | 12-Jul | 19-Jul | 26-Jul | 2-Aug | 9-Aug | 16-Aug | 23-Aug | 30-Aug |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consultants | 4,700 | 6,160 | 7,220 | 5,400 | 4,100 | 5,320 | 5,680 | 5,320 | - | 1,120 | - | 2,010 | - |
| Travel for Confirmation hearing | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Moving/Storage | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Supplies | - | 500 | 220 | - | - | - | 720 | - | - | - | 500 | 220 | - |
| Occupancy | 4,000 | - | - | - | 3,000 | - | - | - | 2,500 | - | - | - | - |
| Bank Service Charges | 100 | - | - | - | 100 | - | - | - | 100 | - | - | - | - |
| Insurance - Property & Casualty | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accounting (2001/02 taxes) | - | - | - | - | - | - | - | - | 45,000 | - | - | - | - |
| Filing Fees (Edgarization) | - | - | 1,000 | - | - | - | - | 1,000 | - | - | - | - | - |
| Legal | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Postage and Delivery | - | - | 200 | - | - | - | 100 | - | - | - | - | 100 | - |
| Other SG&A (quarterly Trustee fees - estimated) | - | - | - | - | - | - | - | 8,000 | - | - | - | - | - |
| Property taxes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **$ 8,800** | **$ 6,660** | **$ 8,640** | **$ 5,400** | **$ 7,200** | **$ 5,320** | **$ 6,500** | **$ 14,320** | **$ 47,600** | **$ 1,120** | **$ 500** | **$ 2,330** | **$ -** |
| **Cumulative** | **$ 8,800** | **$ 15,460** | **$ 24,100** | **$ 29,500** | **$ 36,700** | **$ 42,020** | **$ 48,520** | **$ 62,840** | **$ 110,440** | **$ 111,560** | **$ 112,060** | **$ 114,390** | **$ 114,390** |

* Assumes completion of case as of 09/30/02.

## Netcentives Operating Expense Forecast by Month

June through September 2002*

| | 6-Sep | 13-Sep | 20-Sep | 27-Sep | Total | Jun-02 | Jul-02 | Aug-02 | Sep-02 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Consultants | 410 | 2,420 | - | 3,650 | 53,510 | 23,480 | 20,420 | 3,130 | 6,480 | 53,510 |
| Travel for Confirmation hearing | - | - | - | - | - | - | - | - | - | - |
| Moving/Storage | - | - | - | 13,000 | 13,000 | - | - | - | 13,000 | 13,000 |
| Office Supplies | - | 500 | - | 220 | 2,880 | 720 | 720 | 720 | 720 | 2,880 |
| Occupancy | 2,500 | - | - | - | 12,000 | 4,000 | 3,000 | 2,500 | 2,500 | 12,000 |
| Bank Service Charges | 100 | - | - | 100 | 500 | 100 | 100 | 100 | 200 | 500 |
| Insurance - Property & Casualty | - | - | - | - | - | - | - | - | - | - |
| Accounting (2001/02 taxes) | - | - | - | 15,000 | 60,000 | - | - | 45,000 | 15,000 | 60,000 |
| Filing Fees (Edgarization) | - | - | - | 1,000 | 3,000 | 1,000 | 1,000 | - | 1,000 | 3,000 |
| Legal | - | - | - | 145,000 | 145,000 | - | - | - | 145,000 | 145,000 |
| Postage and Delivery | - | - | 100 | - | 500 | 200 | 100 | 100 | 100 | 500 |
| Other SG&A (quarterly Trustee fees - estimated) | - | - | - | 8,000 | 16,000 | - | 8,000 | - | 8,000 | 16,000 |
| Property taxes | - | - | - | - | - | - | - | - | - | - |
| **Total** | $ 3,010 | $ 2,920 | $ 100 | $ 185,970 | $ 306,390 | 29,500 | 33,340 | 51,550 | 192,000 | 306,390 |
| **Cumulative** | $ 117,400 | $ 120,320 | $ 120,420 | $ 306,390 | | 29,500 | 62,840 | 114,390 | 306,390 | |

* Assumes completion of case as of 09/30/02.

$120K BinderMalter best faith estimate
$10K Employment attorney.
$15K estimate for Creditors Committee attorney.

EXHIBIT E

## Netcentives Consultants
**by Week**
June through September 2002

| Name | Hourly Rate | 6/7 | 6/14 | 6/21 | 6/28 | 7/5 | 7/12 | 7/19 | 7/26 | 8/2 | 8/9 | 8/16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Chiba, Brent | $ 40 | - | 8 | - | 4 | - | 2 | - | 2 | - | 2 | - |
| Meken, Gene | $ 300 | 10 | 10 | 8 | 8 | 8 | 8 | 8 | 8 | - | 2 | - |
| Suzuki, Allen | $ 85 | - | - | 16 | - | - | - | 16 | - | - | - | - |
| Gould, Rodney | $ 165 | - | - | - | - | - | - | - | - | - | - | - |
| Larsen, Eric | $ 350 | - | 2 | - | 2 | - | 2 | - | 2 | - | - | - |
| Lee, Cheryl | $ 110 | - | 4 | 16 | 4 | - | 4 | 2 | 4 | - | 4 | - |
| Lim, Jennifer | $ 85 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | - | - | - |
| Grenzeback, Keith | $ 85 | - | - | - | - | - | - | - | - | - | - | - |
| McGee, Bill | $ 150 | - | - | - | - | - | - | - | - | - | - | - |
| Panttaja, James or [illegible]er, George | $ 162 | - | - | - | - | - | - | - | - | - | - | - |
| Other | | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | | $ 4,700.00 | $ 6,160.00 | $ 7,220.00 | $ 5,400.00 | $ 4,100.00 | $ 5,320.00 | $ 5,680.00 | $ 5,320.00 | $ - | $ 1,120.00 | $ - |
| **Consultants** | | 0.75 | 1.10 | 1.50 | 0.95 | 0.70 | 0.90 | 1.15 | 0.90 | - | 0.20 | - |

* Assumes completion of case as of 09/30/02.

## Netcentives Consultants

**by Week**

June through September 2002

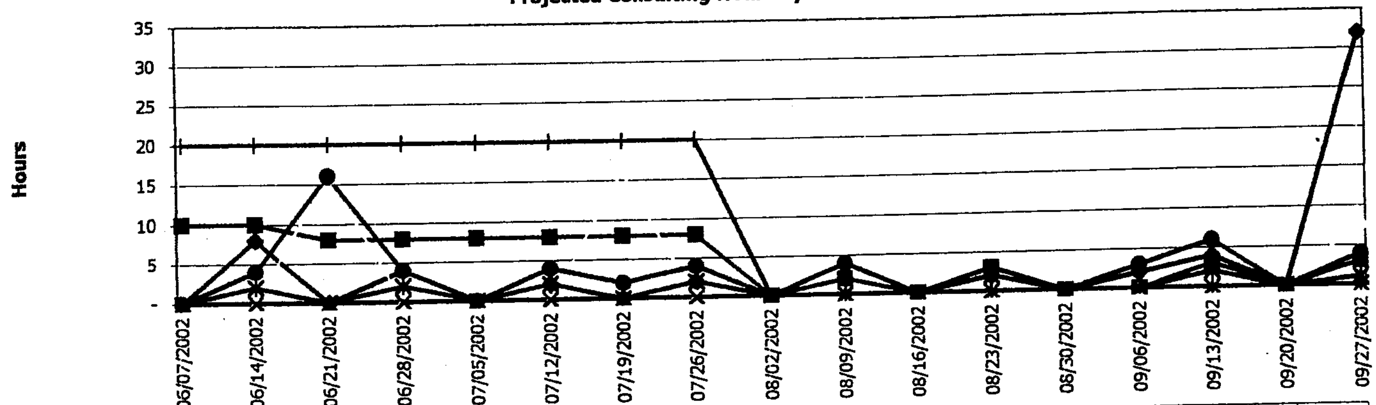
| Name | Hourly Rate | 8/23 | 8/30 | 9/6 | 9/13 | 9/20 | 9/27 | Post June Total |
|---|---|---|---|---|---|---|---|---|
| Chiba, Brent | $ 40 | 2 | - | 2 | 4 | - | 32 | 58.00 |
| Meken, Gene | $ 300 | 3 | - | - | 3 | - | 3 | 79.00 |
| Suzuki, Allen | $ 85 | - | - | - | - | - | 8 | 40.00 |
| Gould, Rodney | $ 165 | - | - | - | - | - | - | - |
| Larsen, Eric | $ 350 | 2 | - | - | 2 | - | 1 | 13.00 |
| Lee, Cheryl | $ 110 | 3 | - | 3 | 6 | - | 4 | 54.00 |
| Lim, Jennifer | $ 85 | - | - | - | - | - | - | 160.00 |
| Grenzeback, Keith | $ 85 | - | - | - | - | - | - | - |
| McGee, Bill | $ 150 | - | - | - | - | - | - | - |
| Panttaja, James or ...er, George | $ 162 | - | - | - | - | - | - | - |
| ...her | | - | - | - | - | - | - | - |
| **Total** | | **$ 2,010.00** | **$ -** | **$ 410.00** | **$ 2,420.00** | **$ -** | **$ 3,650.00** | **$ 53,510.00** |
| **Consultants** | | **0.25** | **-** | **0.13** | **0.38** | **-** | **1.20** | |

* Assumes completion of case as of 09/30/02.

EXHIBIT F

# Netcentives

**Projected Consulting Hours by Week**




| | 6/7 | 6/14 | 6/21 | 6/28 | 7/5 | 7/12 | 7/19 | 7/26 | 8/2 | 8/9 | 8/16 | 8/23 | 8/30 | 9/6 | 9/13 | 9/20 | 9/27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Chiba, Brent | - | 8 | - | 4 | - | 2 | - | 2 | - | 2 | - | 2 | - | 2 | 4 | - | 32 |
| Meken, Gene | 10 | 10 | 8 | 8 | 8 | 8 | 8 | 8 | - | 2 | - | 3 | - | - | 3 | - | 3 |
| Suzuki, Allen | - | - | 16 | - | - | - | 16 | - | - | - | - | - | - | - | - | - | 8 |
| Gould, Rodney | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Larsen, Eric | - | 2 | - | 2 | - | 2 | - | 2 | - | - | - | 2 | - | - | 2 | - | 1 |
| Lee, Cheryl | - | 4 | 16 | 4 | - | 4 | 2 | 4 | - | 4 | - | 3 | - | 3 | 6 | - | 4 |
| Lim, Jennifer | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

**Week Ending**

EXHIBIT 6

| | Jennifer | Al | Brent | Cheryl | Gene | Eric |
|---|---|---|---|---|---|---|
| | **Projected Hours by Employee from June through September 2002*** | | | | | |
| **Hourly rate:** | **$ 85.00** | **$ 85.00** | **$ 40.00** | **$ 110.00** | **$ 300.00** | **$ 350.00** |
| **Hours:** | **160.00** | **40.00** | **58.00** | **54.00** | **79.00** | **13.00** |
| **Total consulting $:** | **$13,600.00** | **$ 3,400.00** | **$ 2,320.00** | **$ 5,940.00** | **$ 23,700.00** | **$ 4,550.00** |
| **Tax Preparation: Federal and State (CA, NY, AZ, TX, FL)** | 160.0 | - | - | - | 5.0 | - |
| Prepare full year financials, providing detail on more complex journal entries General ledger for January – December 2001 | - | - | - | - | - | - |
| Asset listings for 2001 and what items were sold through December 2001 | - | - | - | - | - | - |
| a. Will need to enlist George's help on exactly what items were sold and retained | - | - | - | - | - | - |
| Submit bankruptcy documents to Carol for review | - | - | - | - | - | - |
| a. Carol may request more detailed information regarding events and may need to analyze triggers of gains/losses on involuntary entity dissolution | - | - | - | - | - | - |
| Gather state apportionment data | - | - | - | - | - | - |
| a. Property – reconcile all December 31, 2000/January 1, 2001 property to December 31, 2001 | - | - | - | - | - | - |
| b. Sales – may need to dig through Paul's revenue recognition amounts to determine 2001 sales amounts on a state-by-state basis | - | - | - | - | - | - |
| c. Payroll – will need to review payroll records/binders to determine state amounts | - | - | - | - | - | - |
| Open items and special requests such as followup on refunds | - | - | - | - | - | - |
| **Monthly Operating Reports (monthly through June, Quarterly thereafter)** | | 40.0 | - | 8.0 | 2.0 | 1.0 |
| Post accruals/journal entries; close various modules; perform batch processing to close month | - | - | - | - | - | - |
| Review financials | - | - | - | - | - | - |
| Distribute financials | - | - | - | - | - | - |
| Edgarize financials | - | - | - | - | - | - |
| **Cash management** | - | - | 24.0 | 20.0 | 6.0 | - |
| Daily cash reconciliation against bank account analysis reports | - | - | - | - | - | - |
| Request account transfers/wires | - | - | - | - | - | - |
| Update cash forecast/cash flow summary | - | - | - | - | - | - |
| Prepare weekly check run, sign checks | - | - | - | - | - | - |
| Follow up on open AR, write off uncollectibles | - | - | - | - | - | - |
| **Disbursements** | - | - | 24.0 | 20.0 | - | - |
| Calculate and prepare quarterly distributions, sign checks | - | - | - | - | - | - |
| **Claims Review** | - | - | - | - | 35.0 | 6.0 |
| Review and research claims/invoices | - | - | - | - | - | - |
| Prepare folders for disputed claims | - | - | - | - | - | - |
| Support claims objections | - | - | - | - | - | - |
| Respond to disputed claimants | - | - | - | - | - | - |
| **Lawsuit/Litigation/Misc legal** | - | - | - | - | 25.0 | 4.0 |
| Review employee lawsuits: Bloxham, Soo Hoo | - | - | - | - | - | - |
| Coordinate with legal counsel | - | - | - | - | - | - |
| Support litigation matters | - | - | - | - | - | - |
| IPO litigation | - | - | - | - | - | - |
| YesMail escrow matter | - | - | - | - | - | - |
| Finalize CLNKK | - | - | - | - | - | - |
| Provide consultation on resolution of legal issues | - | - | - | - | - | - |
| Close eBay auction: distribute and mail gift certificates; collect monies | - | - | - | - | - | - |
| **Administration** | - | - | 10.0 | 6.0 | 6.0 | 2.0 |
| BM conference call | - | - | - | - | - | - |
| General filing | - | - | - | - | - | - |
| General mail | - | - | - | - | - | - |

*** Assumes completion of case as of September 30, 2002.**

EXHIBIT H

Exhibit "H"

## NARRATIVE DESCRIPTION OF CONSULTANTS QUALIFICATIONS AND PROJECTS

**Brent Chiba** maintains the estate's general filing and bookkeeping responsibilities. In some ways, Brent is the office manager for the estate. He routinely deals with incoming mail, bookkeeping entries, accounts payables, payroll and database inquiries. His knowledge of the estate's Peoplesoft bookkeeping software is invaluable. As the estate seeks to determine which claims should be disallowed, it turns to Brent and his ability to navigate Peoplesoft as well as manual files for the task of culling the appropriate information for review. Brent was employed in Netcentives' corporate accounting group prior to the bankruptcy. His duties have increased due to the late February departure of the estate's other bookkeeper. Brent's assistance will be heavy through June, when the estate will be filing claims objections and preference actions.

**Al Suzuki** provides the estate with deep accounting and bookkeeping expertise and abilities on a more fulsome scale than Brent Chiba. As Netcentives' longtime accounting manager, Al has the skills and background needed to maintain the estate's corporate accounting. His knowledge of Peoplesoft, and how to manipulate data within it, is the strongest in the office. He directs Brent in accounting activities and is the main line of defense in making sure that our books are in order. In large part, Al is in charge of the producing the estate's monthly operating report for the court and creditors. Al's knowledge of Netcentives' accounting records and processes has been extremely valuable in estate's operations during the bankruptcy proceedings. He is also spearheading the reconciliation of all of Netcentives books and assets. Like Brent Chiba, Al's hours will reduce in Q3 as he hands over the management of the new general ledger to the Controller. Al (supported by Brent) will be critical in providing detailed information to Deloitte & Touche for tax preparation purposes across all jurisdictions.

**Rodney Gould** provides legal and management guidance for the estate at $165 per hour. Having been with Netcentives for the previous two years, he has the deepest experience and knowledge into the overall operation of the estate's core businesses. Mr. Gould is called upon to review contracts upon which creditors have made claims in the bankruptcy case. On a regular basis - almost daily - he confers with bankruptcy counsel on legal matters providing directional guidance. He reviews all documents filed with the bankruptcy court. His review of legal actions in the case led to a return of $300,000 to the estate that was erroneously paid to a creditor. He is taking the lead in the review of all creditor claims while coordinating the review of the claims with the outside counsel and other Netcentives staffers. He has continuing responsibility for stock certificate matters, IPO litigation as well as providing support for employee claims and suits filed against the company. Rodney also participates fully in the management decisions needed to administer the estate.

**Cheryl Lee**, former manager of financial planning and analysis and currently acting Controller, provides the day-to-day leadership for the organization. She has been tasked throughout the bankruptcy with managing the assets of the estate including the logistics of the disposition of assets. Cheryl oversees the estate's day-to-day cash management needs, and has intimate knowledge and understanding of the financial obligations of the estate due to her construction of all post-petition bankruptcy budgets. Cheryl also plays an extremely important role in the development of all financial models, forecasts, and ad-hoc reports for the estate. Further still, she is the final reviewer/preparer of the estate's monthly operating reports that are filed with the court. Throughout the bankruptcy, besides supervising the other staff members, she has been the "go-to" person for all of the "odds and ends" questions that have consistently arisen during the course of this bankruptcy. Her efforts have had a positive impact in the bottom-line cash position of the estate. For instance, she led a team that successfully challenged and then lowered the claim of Exodus Communications by almost $250,000. Cheryl will also be responsible for quarterly distributions.

**Gene Meken** joined Netcentives last spring as Chief Financial Officer and serves the estates in that role, as well as *de facto* Chief Administrative/Operating Officer. He provides guidance and expertise in the financial arena and all daily affairs of the staff. His knowledge of the estate's outstanding issues and remaining staff's areas of expertise allow for the most efficient and effective performance of duties, avoiding redundancy or lack of completion of critical tasks. Gene provides insights to direct claims reviews and preference payments, direction on settlement of operational matters (such as Exodus and AMEX) and his experience has enabled the Debtors to negotiate a substantially reduced tax preparation fee with Deloitte and Touche. Gene's regular involvement in the approval of staff timesheets and all administrative expenses, and his role as a secondary signer on checks, as well as approval of all wire transfers, acts as critical protection and sound segregation of duties for control of the estate's assets. Gene provides daily overall management of the estate's bankruptcy process, and provides critical decision authority on all major issues when Eric Larsen is unavailable.

**Eric Larsen** is the CEO, overseeing the wind down of the estate with bankruptcy counsel. He has been the ultimate decision maker as to all aspects of the business, from business operations, personnel issues, formulation of bankruptcy strategy, sale of assets to the Plan. He has worked intensively with the legal team, including general counsel, bankruptcy counsel, and all special counsel to deal with all pending legal issues and litigation strategy, which he will continue to do through the pendency of the case. Mr. Larsen possesses business knowledge critical to rejection of claims and settlement of outstanding matters, due to his past interaction with Netcentives business and trading partners, that does not otherwise reside in the estate. Eric also provides critical back-up to Gene Meken in the event Gene is not available. Eric's participation is required on a minimal basis (2 hours per week) through the wind-down.

**George Loyer** and **Jim Panttaja**, formerly the VP of Consulting, and VP of Technology, respectively, provide the knowledge base related to the estate's technical systems, particularly the determination of individual member pointholder liability, and configurations of in-house and client rewards systems. Their expertise is needed as we await the determination of the estate's liability to the pointholders. As this case winds past the ClickRewards issue, George and Jim's participation will diminish. Jim's historical knowledge of the Debtors' business relationship with Exodus was a significant help in reducing the Exodus claim. Additionally, George is directly involved in the ongoing

American Express accounts receivable dispute, and remains critical to resolving some telecomm, storage and fixed assets issues.

**Keith Grenzeback** and **Bill McGee**, former manager of supplier management and VP of Marketing, are projected to be brought in for a maximum of 40 hours total should the estate need their redemption supplier and airline expertise in confirming and/or disputing significant dollar value claims arising from the ClickRewards vendors.

**Jennifer Lim** is responsible for tax matters at Netcentives. She worked for Netcentives for a period of 18 months from 2000 through 2001. Her extensive background in the company's tax matters greatly enhances her value to the estate. Jennifer's knowledge of these tax matters has allowed the estate to keep current with its varied tax obligations as well as provide support for disallowing certain claims made by taxing authorities. Her retention has already paid dividends to the estate: she has identified hundreds of thousands of dollars of illegitimate claims and got the IRS to withdraw a $76,000 claim. Going forward, Jennifer will serve as the point person working with the accounting firm of Deloitte and Touche on our year-end tax filings for 2001. Having Jennifer assist with compiling and preparing tax related documentation reduces the estate's tax preparation fees and will enable Deloitte and Touche to work more efficiently and swiftly in its tasks. Utilizing Jennifer's knowledge of the estate and her lower hourly rate (versus Deloitte & Touche) provides a substantial saving to the estate in preparing all tax returns.

The accounting tasks in which Ms. Lim will be involved are as follows:

(1) Continue to follow-up with the Delaware Annual Franchise Tax refund of $108,415.60. The actual follow-up involves providing the State of Delaware with supplemental detail and the federal 2001 tax return. The Debtors have requested the refund be expedited and that has required that the Debtors provide additional detail and remain in close contact with the Delaware auditor assigned to their case.

(2) The Debtors are anticipating a VAT refund of $65,000. The refund stems from 2000 and 2001 business conducted in primarily in France and business travel in other European and Asian countries. The bulk of the refund stems from the Debtors' relationship with the French supplier, Cadagence/Everest. Ms. Lim has been working intimately with Meridian VAT Reclaim in hopes of reclaiming 100% of the refund. The French authorities are particularly difficult in releasing VAT refunds as the Debtors have provided multiple requests and written explanation of the Debtors' business relationships in France. Ms .Lim continues to work closely with the Meridian VAT representative to complete the Debtors' claim.

(3) Provide Deloitte & Touche with the tax information necessary to prepare the consolidated Netcentives federal and state tax returns. The state returns will be filed in Arizona, California, Florida, Illinois, New York State, New York City and New York Metro. The returns will not only cover income but also intangible tax. There will be a consolidated federal return and a total of eleven state returns prepared for the various legal entities. In order for the information gathering to take place, Ms. Lim will work with

Al Suzuki to provide consolidated general ledger and detail relating to particular journal entries. I will also need work with Al to reconcile the PeopleSoft and monthly reports to arrive at a year-end trial balance. Another crucial component is analyzing the various entity sales, their related agreement dates, purchase price allocations and potential for gain. This will require that Ms. Lim work with George Loyer in gathering and reconciling the detail related to the asset sale. It will also require that Ms. Lim work with Cheryl Lee and Rodney Gould in deciphering the agreement and the sale conditions/proceeds associated with the sale of each legal entity's assets. As for the asset sale, Ms. Lim will need to determine if the Debtors need to calculate recapture on the depreciation of assets and in what states the sales occurred. For state taxation purposes, Ms. Lim will be gathering and compiling all data related to state apportionment (sales revenue, rent, property both at beginning and end of the year and payroll on a state-by state level). This will determine exactly what states will be apportioned their relative share of income/(loss). Sales revenue breakout, particularly with Netcentives, is not clear-cut as the Debtors have always accounted for their revenue with the trade stamp model (specific to Netcentives). As much as possible and in order to keep preparation costs at a minimum, Ms. Lim will prepare the necessary schedules and detail breakout normally prepared by outside CPA firms such as Deloitte & Touche. By preparing summary schedules "in-house" for journal entries, sales data and state apportionment, this use of Ms. Lim reduces the amount of time incurred by Deloitte & Touche. By June 1, Ms. Lim will have compiled all workpapers providing Deloitte the consolidated trial balance, income state, balance sheet, detail of all subsidiary sales and various tax payments to the respective jurisdictions, state apportionment data and any necessary supplemental spreadsheets detailing the 2001 sales.

(4) Resolve ongoing state payroll and unemployment issues which must be resolved. The Debtors must also address and provide information and corrections, if necessary, to any W-2 and 1099-MISC matters that may arise. Frequently, the Debtors are in contact (written and oral) with the San Francisco Tax Collectors Office, in the Debtors' dealings with both the Unsecured Property Tax and Business Tax. In the past month or so, the Debtors have greatly reduced, if not totally eradicated, tax liabilities in excess of $200,000. Ms. Lim must also be available to continuously monitor any and all IRS request that may arise. In the past, the Debtors have worked closely with a number of auditors to remove a number of their claims.

(5) Following the submission of the Debtors' completed tax package to Deloitte & Touche, Ms. Lim will work with them in explaining the consolidated trial balance, income statement and balance sheet and review any top-sided entries that are recorded to prepare year end-consolidated financials. Ms. Lim will work with Mr. Suzuki in guiding Deloitte & Touche through the various journal entries booked through 2001 and the separations of the UVN amounts for the Arizona, Florida and Illinois tax returns. This is an ongoing and involved process that normally requires the Debtors stay in constant contact with Deloitte in order to complete both the federal and eleven state tax returns by the scheduled July 31 delivery date. It is customary that Deloitte require that time to properly analyze all sales related and address any issues related to the pre-sale 2001 activity. It is crucial to the processing of the return that the Debtors address any

details/queries in a timely fashion, as each detail/issue tends to build on the next. Further, particularly in 2001, it will be crucial to discuss and breakout all subsidiary sales data to determine whether there is tax gain associated with the various sales and how this could impact separate state tax returns. The Debtors will be working constantly to provide Deloitte with sufficient information in order that they may properly analyze the various sales transactions. There will also be other considerations in filing the federal and state tax returns. The Debtors intend to file on a consolidated basis, however, it may later be determined that there will be a need to separately breakout the trial balance on a separate legal entity basis as the Debtors had done in 2000. Last year's breakout was a laborious and time-consuming process but one that was necessary. This year, the Debtors may need to prepare a separate breakout for certain state filings. Lastly, it will be crucial to work closely with Deloitte in preparing a disclosure statement explaining the bankruptcy situation. This statement will be attached to the federal, as well as, all state tax returns filed with the various taxing authorities.

(6) Begin discussions and strategy regarding the filing of the 2002 tax returns. Ms. Lim and the staff will work with Deloitte to determine what state returns will need to be filed and the level and financial detail that will be required. 2002 is different in that the Debtors are not conducting business in all the same states as the Debtors had in 2001. The Debtors need to determine which returns will be deemed "final" in 2001 and those which will be filing a 2002 tax return. State issues are almost equal in importance to federal, as state filing requirements have grown in complexity. Again, the Debtors will need to provide Deloitte with the state apportionment data. This will aid in determining which states will require us to file a 2002 tax return.

EXHIBIT I

## Netcentives Cash Flow Projection

April through May 2002*

(rounded to hundreds)

| | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Week 6 | Week 7 | Week 8 | Week 9 |
|---|---|---|---|---|---|---|---|---|---|
| | 05-Apr-02 | 12-Apr-02 | 19-Apr-02 | 26-Apr-02 | 03-May-02 | 10-May-02 | 17-May-02 | 24-May-02 | 31-May-02 |
| **Beginning cash balance** | $ 5,900.0 | $ 5,865.0 | $ 5,882.1 | $ 5,864.5 | $ 5,866.7 | $ 5,862.5 | $ 5,846.7 | $ 5,825.4 | $ 6,157.6 |
| Cash in | | | | | | | | | |
| AR | | | - | - | - | - | - | 350.0 | - |
| Auction proceeds | - | 35.0 | - | 96.0 | 10.0 | - | - | - | - |
| Interest income | - | - | - | - | 7.1 | - | - | - | - |
| Transfer in from other accounts | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Total cash in | - | 35.0 | - | 96.0 | 17.1 | - | - | 350.0 | - |
| | | | | | | | | | |
| Cash out | | | | | | | | | |
| Operating expenses | | | | | | | | | |
| Consultants | 11.4 | 17.9 | 17.1 | 17.1 | 17.1 | 15.8 | 20.8 | 14.5 | 13.7 |
| Travel for Confirmation hearing | - | - | - | - | - | - | - | 1.9 | - |
| Moving/Storage | 2.1 | - | - | - | - | - | - | - | - |
| Office Supplies | - | - | 0.5 | 0.2 | - | - | 0.5 | 0.2 | - |
| Occupancy | 4.0 | - | - | - | 4.0 | - | - | - | - |
| Bank Service Charges | 0.1 | - | - | - | 0.1 | - | - | - | - |
| Insurance - general liability | 17.4 | - | - | - | - | - | - | - | - |
| Accounting (2001/02 tax preparation) | - | - | - | - | - | - | - | - | - |
| Filing Fees (Edgarization) | - | - | - | 1.0 | - | - | - | 1.0 | - |
| Legal | - | - | - | - | - | - | - | - | 118.5 |
| Postage and Delivery | - | - | - | 0.2 | - | - | - | 0.2 | - |
| Trustee fees | - | - | - | 8.0 | - | - | - | - | - |
| Property taxes | - | - | - | - | - | - | - | - | - |
| Non-operating expenses | | | | | | | | | |
| Disbursements | - | - | - | - | | | - | - | - |
| Lease/Equipment buyout | - | - | - | 67.3 | | | - | - | - |
| Catch up utilities/telecomm | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| Total cash out | 35.0 | 17.9 | 17.6 | 93.8 | 21.2 | 15.8 | 21.3 | 17.8 | 132.2 |
| | | | | | | | | | |
| Net cash flow | (35.0) | 17.1 | (17.6) | 2.2 | (4.2) | (15.8) | (21.3) | 332.2 | (132.2) |
| | | | | | | | | | |
| **Ending unrestricted cash balance** | $ 5,865.0 | $ 5,882.1 | $ 5,864.5 | $ 5,866.7 | $ 5,862.5 | $ 5,846.7 | $ 5,825.4 | $ 6,157.6 | $ 6,025.5 |
| | | | | | | | | | |
| Add: restricted cash (retention) | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 |
| | | | | | | | | | |
| **Ending cash balance** | 5,991.0 | 6,008.1 | 5,990.5 | 5,992.7 | 5,988.5 | 5,972.7 | 5,951.4 | 6,283.6 | 6,151.5 |

$25K eBay gift certificates
$10K CLNKK

Remainder of YesMail escrow amount

Able Auction net proceeds

Projected AMEX settlement

Cheryl Lee:
$83.5K BinderMalter best faith estimate.
$20K employment attorney estimate.
$15K Creditor Committee attorney estimate.

Northbay payment for missing equipment.

* Assumes completion of case as of 09/30/02.

EXHIBIT I

## Operating Forecast by Month

April through May 2002*

| | By Week | | | | | | | | | | Operating Forecast by Month | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 5-Apr | 12-Apr | 19-Apr | 26-Apr | 3-May | 10-May | 17-May | 24-May | 31-May | Total | Apr-02 | May-02 | Pre June |
| Consultants | 11,423 | 17,867 | 17,137 | 17,137 | 17,137 | 15,797 | 20,757 | 14,486 | 13,661 | 145,402 | 63,564 | 81,838 | 145,402 |
| Travel for Confirmation hearing | - | - | - | - | - | - | - | 1,900 | - | 1,900 | - | 1,900 | 1,900 |
| Moving/Storage | 2,100 | - | - | - | - | - | - | - | - | 2,100 | 2,100 | - | 2,100 |
| Office Supplies | - | - | 500 | 220 | - | - | 500 | 220 | - | 1,440 | 720 | 720 | 1,440 |
| Occupancy | 4,000 | - | - | - | 4,000 | - | - | - | - | 8,000 | 4,000 | 4,000 | 8,000 |
| Bank Service Charges | 100 | - | - | - | 100 | - | - | - | - | 200 | 100 | 100 | 200 |
| Insurance - Property & Casualty | 17,390 | - | - | - | - | - | - | - | - | 17,390 | 17,390 | - | 17,390 |
| Accounting (2001/02 taxes) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Filing Fees (Edgarization) | - | - | - | 1,000 | - | - | - | 1,000 | - | 2,000 | 1,000 | 1,000 | 2,000 |
| Legal | - | - | - | - | - | - | - | - | 118,500 | 118,500 | - | 118,500 | 118,500 |
| Postage and Delivery | - | - | - | 200 | - | - | - | 200 | - | 400 | 200 | 200 | 400 |
| Other SG&A (quarterly Trustee fees - estimated) | - | - | - | 8,000 | - | - | - | - | - | 8,000 | 8,000 | - | 8,000 |
| Property taxes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | $ 35,013 | $ 17,867 | $ 17,637 | $ 26,557 | $ 21,237 | $ 15,797 | $ 21,257 | $ 17,806 | $ 132,161 | $ 305,332 | 97,074 | 208,258 | 305,332 |
| **Cumulative** | $ 35,013 | $ 52,880 | $ 70,517 | $ 97,074 | $ 118,311 | $ 134,108 | $ 155,365 | $ 173,171 | $ 305,332 | | 97,074 | 305,332 | |

**Cheryl Lee:**
$83.5K BinderMalter best faith estimate
$20K employment attorney estimate.
$15K Creditor Committee attorney estimate.

* Assumes completion of case as of 09/30/02.

EXHIBIT K

## Netcentives Consultants

**by Week**

April through May 2002

| Name | Hourly Rate | 4/5 | 4/12 | 4/19 | 4/26 | 5/3 | 5/10 | 5/17 | 5/24 | 5/31 | Pre June Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Chiba, Brent | $ 40 | 31 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 223.0 |
| Meken, Gene | $ 300 | 14 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 93.8 |
| Suzuki, Allen | $ 85 | 14 | 30 | 24 | 24 | 24 | 16 | 16 | 16 | 16 | 179.8 |
| Gould, Rodney | $ 165 | - | 25 | 25 | 25 | 25 | 25 | 25 | 20 | 15 | 185.0 |
| Larsen, Eric | $ 350 | - | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 16.0 |
| Lee, Cheryl | $ 110 | 27 | 32 | 30 | 30 | 30 | 24 | 24 | 24 | 24 | 245.3 |
| Lim, Jennifer | $ 85 | 22 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 214.3 |
| Other | | - | 6 | 6 | 6 | 6 | 6 | 46 | 3 | 3 | 82.0 |
| **Total** | | **$ 11,422.50** | **$ 17,867.00** | **$ 17,137.00** | **$ 17,137.00** | **$ 17,137.00** | **$ 15,797.00** | **$ 20,757.00** | **$ 14,486.00** | **$ 13,661.00** | **$ 145,401.50** |
| **Consultants** | | **2.70** | **3.83** | **3.63** | **3.63** | **3.63** | **3.28** | **4.28** | **3.08** | **2.95** | |

…ssumes completion of case as of …30/02.

EXHIBIT L

## Projected Hours by Employee from April through May 2002*

| | Jennifer | Al | Brent | Cheryl | Rodney | George | Jim | Gene | Eric | Keith | Bill |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Hourly rate:** | $ 85.00 | $ 85.00 | $ 40.00 | $ 110.00 | $ 165.00 | $ 162.00 | $ 162.00 | $ 300.00 | $ 350.00 | $ 85.00 | $ 150.00 |
| **Hours:** | 214.25 | 179.75 | 223.00 | 245.25 | 185.00 | 21.00 | 21.00 | 93.75 | 16.00 | 16.00 | 24.00 |
| **Total consulting $:** | $18,211.25 | $15,278.75 | $ 8,920.00 | $26,977.50 | $30,525.00 | $ 3,402.00 | $ 3,402.00 | $ 28,125.00 | $ 5,600.00 | $ 1,360.00 | $ 3,600.00 |
| **Tax Preparation: Federal and State (CA, NY, AZ, TX, FL)** | 214.3 | 60.0 | - | 40.0 | - | 3.0 | - | 5.0 | - | - | - |
| Prepare full year financials, providing detail on more complex journal entries General ledger for January – December 2001 | - | - | - | - | - | - | - | - | - | - | - |
| Asset listings for 2001 and what items were sold through December 2001 | - | - | - | - | - | - | - | - | - | - | - |
| a. Will need to enlist George's help on exactly what items were sold and retained | - | - | - | - | - | - | - | - | - | - | - |
| Submit bankruptcy documents to Carol for review | - | - | - | - | - | - | - | - | - | - | - |
| a. Carol may request more detailed information regarding events and may need to analyze triggers of gains/losses on involuntary entity dissolution | - | - | - | - | - | - | - | - | - | - | - |
| Gather state apportionment data | - | - | - | - | - | - | - | - | - | - | - |
| a. Property – reconcile all December 31, 2000/January 1, 2001 property to December 31, 2001 | - | - | - | - | - | - | - | - | - | - | - |
| b. Sales – may need to dig through Paul's revenue recognition amounts to determine 2001 sales amounts on a state-by-state basis | - | - | - | - | - | - | - | - | - | - | - |
| c. Payroll – will need to review payroll records/binders to determine state amounts | - | - | - | - | - | - | - | - | - | - | - |
| Open items and special requests such as followup on refunds | - | - | - | - | - | - | - | - | - | - | - |
| **Monthly Operating Reports (monthly through June, Quarterly thereafter)** | | 112.0 | - | 40.0 | - | - | - | 2.0 | 1.0 | - | - |
| Post accruals/journal entries; close various modules; perform batch processing to close month | - | - | - | - | - | - | - | - | - | - | - |
| Review financials | - | - | - | - | - | - | - | - | - | - | - |
| Distribute financials | - | - | - | - | - | - | - | - | - | - | - |
| Edgarize financials | | | | | | | | | | | |
| Ledger cleanup | - | - | - | - | - | - | - | - | - | - | - |
| **Cash management** | - | - | 40.0 | 40.3 | - | - | - | 4.0 | - | - | - |
| Daily cash reconciliation against bank account analysis reports | - | - | - | - | - | - | - | - | - | - | - |
| Request account transfers/wires | - | - | - | - | - | - | - | - | - | - | - |
| Update cash forecast/cash flow summary | - | - | - | - | - | - | - | - | - | - | - |
| Prepare weekly check run, sign checks | - | - | - | - | - | - | - | - | - | - | - |
| Follow up on open AR, write off uncollectibles | - | - | - | - | - | - | - | - | - | - | - |
| **Disbursements** | - | - | - | - | - | - | - | - | - | | |
| Calculate and prepare quarterly distributions, sign checks | - | - | - | - | - | - | - | - | - | - | - |
| **ClickRewards** | - | - | 48.0 | - | - | 6.0 | - | - | - | - | - |
| Maintain bankruptcy address | - | - | - | - | - | - | - | - | - | - | - |
| Maintain bankruptcy voicemail | - | - | - | - | - | - | - | - | - | - | - |
| Provide to/Work with YesMail: member and FAQs updates | - | - | - | - | - | - | - | - | - | - | - |
| **Claims Review** | - | - | 55.0 | 40.0 | 65.0 | 9.0 | 21.0 | 40.0 | 7.0 | 16.0 | 24.0 |
| Review and research claims (including ClickRewards)/invoices | - | - | - | - | - | - | - | - | - | - | - |
| Prepare folders for disputed claims | - | - | - | - | - | - | - | - | - | - | - |
| Support claims objections | - | - | - | - | - | - | - | - | - | - | - |
| Respond to disputed claimants | - | - | - | - | - | - | - | - | - | - | - |
| **Lawsuit/Litigation/Misc legal** | - | - | - | 40.0 | 96.0 | - | - | 30.0 | 6.0 | - | - |
| Review employee lawsuits: Bloxham, Soo Hoo | - | - | - | - | - | - | - | - | - | - | - |
| Coordinate with legal counsel | - | - | - | - | - | - | - | - | - | - | - |
| Support litigation matters | - | - | - | - | - | - | - | - | - | - | - |
| IPO litigation | - | - | - | - | - | - | - | - | - | - | - |
| YesMail escrow matter | - | - | - | - | - | - | - | - | - | - | - |
| Finalize CLNKK | - | - | - | - | - | - | - | - | - | - | - |
| Provide consultation on resolution of legal issues | - | - | - | - | - | - | - | - | - | - | - |
| Close eBay auction: distribute and mail gift certificates; collect monies | - | - | - | - | - | - | - | - | - | - | - |
| **Administration** | - | 7.8 | 80.0 | 45.0 | 24.0 | 3.0 | - | 12.8 | 2.0 | - | - |
| BM conference call | - | - | - | - | - | - | - | - | - | - | - |
| General filing | - | - | - | - | - | - | - | - | - | - | - |
| General mail | - | - | - | - | - | - | - | - | - | - | - |

*** Assumes completion of case as of September 30, 2002.**